CITY OF WATAUGA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2018

PREPARED BY

THE CITY OF WATAUGA

FINANCE DEPARTMENT

CITY OF WATAUGA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2018

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INTRODUCTORY SECTION

March 7, 2019

TO: Honorable Mayor Pro Tem David Giffin and
Members of the City Council
Citizens of the City of Watauga, Texas

It is with pleasure that we submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Watauga for the fiscal year ended September 30, 2018. We encourage you to thoroughly read this report and take the opportunity to discuss some of the important items it addresses.

As required by City of Watauga Charter Section 9.06 (C) and various other obligations including, but not limited to, bond covenants, "At the close of each fiscal year, and at such time as it may be deemed necessary, the Council shall cause an independent audit to be made of all accounts of the City by a certified public accountant. Upon completion of the audit, the results thereof in a summary form shall be placed on file in the City Secretary's office as a public record." Financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

This report provides the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City of Watauga has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the City of Watauga's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute assurance, that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Whitley Penn, LLP, a firm of licensed certified public accountants headquartered in Ft. Worth, Texas, audited the City of Watauga financial statements. The goal of the independent auditors was to provide reasonable assurance that the financial statements of the City of Watauga for the fiscal year ended September 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the

accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Watauga's financial statements for the fiscal year ended September 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

This report includes all of the funds of the City. It also includes all activities over which the City is considered to be financially accountable.

Profile of the City of Watauga, Texas

The City of Watauga is located in Tarrant County, one of the fastest growing counties in Texas, approximately 10 miles northeast of downtown Fort Worth and 25 miles northwest of downtown Dallas. The City's corporate boundary comprises a total of approximately 4 square miles and is approximately 96% developed. Watauga's population as established by the 2010 U.S. Census was 23,497 and was estimated by the North Central Texas Council of Governments at 23,610 as of January, 2018.

The City of Watauga Home Rule charter was adopted on January 19, 1980. The City operates under a Mayor-Council-Manager form of government, with the Governing Body comprised of eight members including the Mayor. The Governing Body is responsible for adopting ordinances and regulations governing the City, adopting the budget, determining policies, and appointing the City Manager, City Attorney, Municipal Court Judge, City Secretary, Department Heads, as well as members of boards and commissions. The City Manager is responsible to the Governing Body Council and is responsible for the daily management of the City.

Services Provided

The primary government provides a full range of services including general government administration, police and fire protection, emergency ambulance service, street maintenance, building inspection services, community development, library services, park and recreational activities, and the maintenance and operations of City-owned buildings. The City also has two enterprise funds for operations and management of its Drainage and Water/Sewer Systems.

The Birdville and the Keller Independent School Districts (ISDs) provide elementary and secondary education services within the City. The City is not financially accountable for the districts and, accordingly, financial data for the school districts are not included in this report.

Accounting System and Budgetary Control

The City's accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or good are received and the liabilities are incurred. Accounting records for the City's proprietary activities are maintained on an accrual basis.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The various funds are grouped by type in the financial statements. As of September 30, 2018, there were twenty-seven (27) funds, of which some are combined for reporting purposes bringing the number to fifteen (15) funds. A description of the major funds and their purpose can be found in Note 1 of the Notes to General Purpose Financial Statements.

The City Charter requires the City Manager to submit a proposed budget for the fiscal year beginning October 1 to the City Council by August 1 each year, and provides for Council adoption of the budget by September 15. Prior to August 1, the City Manager and City department heads prepare expenditure/expense estimates for the remainder of the current fiscal year and for the ensuing fiscal year, and these are compared to estimates of revenue for the same periods. Included in the assessment is the Capital Improvements Projects or CIP program. This program is a five-year plan of major capital programs which may include infrastructure, equipment, buildings, land, or other major expenditures. Adjustments are made to the departmental expenditure/expense estimates as necessary to ensure that the proposed budget is balanced within total estimated income as required by the City Charter.

Following adoption of the budget by the City Council, the City Manager and department heads monitor expenditures/expenses and revenues throughout the year to ensure that the integrity of the budget is maintained. The Charter allows the City Manager to transfer appropriation balances among programs within a department, and provides for transfers of appropriation balances from one department to another upon approval of an ordinance by the City Council. The City Council may make amendments to the budget for unforeseen needs or emergencies. The City Manager is required to make monthly reports to the Council concerning the financial condition of the City.

Economic Outlook and Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Watauga operates.

The Dallas-Fort Worth Metroplex (DFW) economy continued to grow at a moderate pace in December, 2018 and unemployment was held steady near record lows. The Federal Reserve Bank of Dallas reported in their December 2018 Dallas-Fort Worth Economic Indicators update:

"The Dallas-Ft. Worth economy ended 2018 on a solid note. Employment growth was robust in December, with DFW adding jobs at its fastest pace in 13 months, and unemployment remained near multiyear lows. The Dallas and Ft. Worth business-cycle indexes strengthened at year end, providing some momentum for continued growth in 2019."

Watauga is located in North Central Texas in Northeast Tarrant County, and is surrounded by the cities of Keller, Fort Worth, Haltom City, and North Richland Hills. The economy of the area is based upon diversified manufacturing and service industries, and agriculture. With its highly diversified economy, Dallas-Fort Worth has a population of over 7.1 million, a Gross Metropolitan Product of $613 billion, a labor force of over 3.6 million, a 2.9% job growth rate, twenty-two Fortune 500 Firms, and college enrollment of almost 333,000. Economic conditions in the Metroplex continue to be influenced by the development and operation of the Dallas-Fort Worth International Airport, which is located only 10 miles to the southeast of Watauga. The airport, which celebrated its 44th anniversary in 2018, covers approximately twenty-seven square miles and represents one of the largest facilities of its kind in the world. The airport provides in excess of 228,000 jobs and contributes over $37 billion to the local economy, and $12.5 billion in payroll. (SOURCE: DFW website www.dfwairport.com Fast Facts and DFW Airport 2017 Comprehensive Annual Financial Report.)

The Alliance Texas development in North Fort Worth is a 26,000-acre master-planned, mixed-use community which is home to more than 500 companies, 61,000 plus employees, and is anchored by the inland port known as the Alliance Global Logistics Hub. This area offers a variety of commercial real estate options, industrial space, office space, and retail facilities and had a $74 billion impact in North Texas since its inception. (www.allianceairport.com Alliance Texas Facts).The City's financial position is strong, and the immediate future looks bright with the Dallas-Fort Worth economy continuing to expand. Total certified taxable value, not including estimated value for property under protest, for all residential and commercial property in the City was approximately $1.3 billion for fiscal year 2018, a 9.5% increase from the previous year. During fiscal year 2018, a 55-home development was near completion and it is anticipated that approximately $17 million in new construction will be added to the City's property values next year. Sales tax collections totaled $5.85 million in fiscal year 2018, a 0.6% increase from the previous fiscal year.

Future Economic Outlook

Through December, fiscal year 2019 sales taxes have increased by 7.5% compared to the same period in fiscal year 2018. For fiscal year 2019, property valuations increased 9.2%, with a 10% increase in residential property and a 2.4% increase in commercial properties. Continued growth in valuations is expected in future years. According to the Emerging Trends in Real Estate for 2019 report from PricewaterhouseCoopers and the Urban Land Institute, the Dallas-Fort Worth Metroplex ranked as the number one market for overall real estate prospects in 2019 out of 78 other cities nationwide.

Watauga's economic future is not without challenges. New development in Watauga is expected to be minimal as the City is approximately 96% developed. The City is has entered a phase where revenue growth will be slow, while requests for services and

infrastructure replacement for streets and utility needs will increase. The near build-out status of the City requires a strategic approach to attracting new development and revitalization. A Comprehensive Land Use Plan adopted by Council is used as a tool in the development of the City. Planning initiatives for re-development and improvement of certain aging corridors in the City are of primary focus and funding is continued for budget year 2018-19.

Long-Term Financial Planning

The City of Watauga has developed a comprehensive capital improvements document as well as a multi-year financial plan. In addition, a multi-year Capital Outlay Plan currently in development will provide a 5-year plan to identify timing of replacement and sources of funding for major equipment, vehicles, and technology City-wide. A Personnel Improvement Plan to identify personnel staffing needs and year of possible funding is also underway. Such strategic planning has allowed the City Council to fund several major infrastructure upgrades, park enhancements, and capital purchases in a systematic manner while considering the full impact to the operating budget and tax requirements. The City of Watauga intends to continue with an orderly and well-planned program of community service in FY2018-19 and subsequent years. Working within the framework of current financial constraints, the City will focus on infrastructure needs such as upgrades/maintenance of the water/sewer system, street projects, drainage projects and revitalization/redevelopment projects in the upcoming fiscal year and beyond.

Fiscal policies provide for the General Fund reserve to not go below 25% of the General Fund expenditure budget. At the end of the current year, the City was in compliance with this policy with the reserve at 38% of next year's budgeted expenditures.

Major Initiatives

The City has completed several projects in the past year and has many others underway. The City believes it is critical that the street, water, wastewater, and drainage systems are properly maintained and systematically upgraded. The City's 5-year Capital Improvement Plan (CIP) addresses the infrastructure needs throughout the City. Over the past several years, water and wastewater improvement projects funded by a $7.73 million debt issuance were in progress and completed this fiscal year. Additional water and wastewater projects funded through the 2017 Certificates of Obligation proceeds in the amount of $7.325 million are in progress and will include replacement of wastewater lines throughout the City that have a high amount of inflow and infiltration. This replaces the aging clay piping with Polyvinylchloride (PVC) piping in the older parts of the City. Major drainage projects are underway and are funded by Storm Drain Fund Revenues and will continue over the next several years.

The City's Parks Master Plan focuses on improving the quality of life for the community, including park amenities and upgrades, trails, and facilities such as the expansion of the Senior Center that was completed in FY2017-2018. Projects currently in progress include additions of shade structures, replacement of park lighting at Capp Smith Park, and bridge and trail improvements at Foster Village Park. The 2018 Certificates of Obligation proceeds will provide funding for a splash pad, enhancement to the City's trail

system, and various street projects such as Whitley Road and Bowie Street. These projects will continue over the next several years.

The Green Ribbon Beautification Project for Highway 377 is currently underway and will help to improve the image of Watauga as well as properties along the highway. The City has been awarded a Texas Department of Transportation (TXDOT) Green Ribbon Landscape grant to beautify the western portion of the Denton Highway right-of-way. The $350,000 grant is to be used for landscaping and irrigation.

The continued use of the Equipment Replacement Fund will fund purchases and replacements of some of the City's equipment, vehicles, technology, and facility needs. The City enhanced the use of an Equipment Replacement Fund to level and plan the purchases of equipment and capital items that meet certain cost thresholds and a minimum useful life.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga for its comprehensive annual financial report for the fiscal year ended September 30, 2017. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Watauga has received a Certificate of Achievement for the last thirty-three consecutive years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Watauga also received the GFOA's Distinguished Budget Presentation Award for our annual budget document for the fiscal year beginning October 1, 2017. This is the twenty- ninth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The City of Watauga has also recently received its eighth consecutive Government Treasurer's Organization of Texas' Investment Policy Certificate of Distinction award. The Government Treasurer's Organization of Texas conducts an Investment Policy Certification program, which is designed to provide professional guidance in developing an investment policy and to recognize outstanding examples of written investment policies. This is awarded to those entities that have developed an Investment policy,

which meets established criteria. The Certificate is awarded for two years and then may be renewed upon review.

In conclusion, we wish to thank the City Council for their continued leadership and support in planning and conducting the financial operations of our City in a responsible and efficient manner. We also want to thank each person who has contributed to the preparation of this comprehensive annual financial report and the financial achievements reflected herein. And finally, we wish to express our appreciation to each City employee for his or her loyalty and dedication, as demonstrated during the past fiscal year.

Respectfully submitted,

Andrea Gardner
City Manager

Sandra Gibson, CGFO, CGFM
Director of Finance

CITY OF WATAUGA, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2018

Elected Officials	Position	Term Expires
Vacant	Mayor	N/A
David Griffin	Mayor Pro Tem, Council Member - Place 4	2019
Scott Prescher	Council Member - Place 1	2020
Tom Snyder	Council Member - Place 2	2020
Sandra Bush	Council Member - Place 3	2019
Melva Clark	Council Member - Place 5	2019
Mark Taylor	Council Member - Place 6	2020
Kim Irving	Council Member - Place 7	2020

Appointed Officials	Position
Andrea Gardner	City Manager
Mark G. Daniel	City Attorney
Zolaina Parker	City Secretary
Paul Hackleman	Public Works Director
Lana Ewell	Library Director
Sal Torres	Parks and Community Services Director
Robert Parker	Police Chief
Shawn Fannan	Fire Chief
Sandra Gibson	Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Watauga

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

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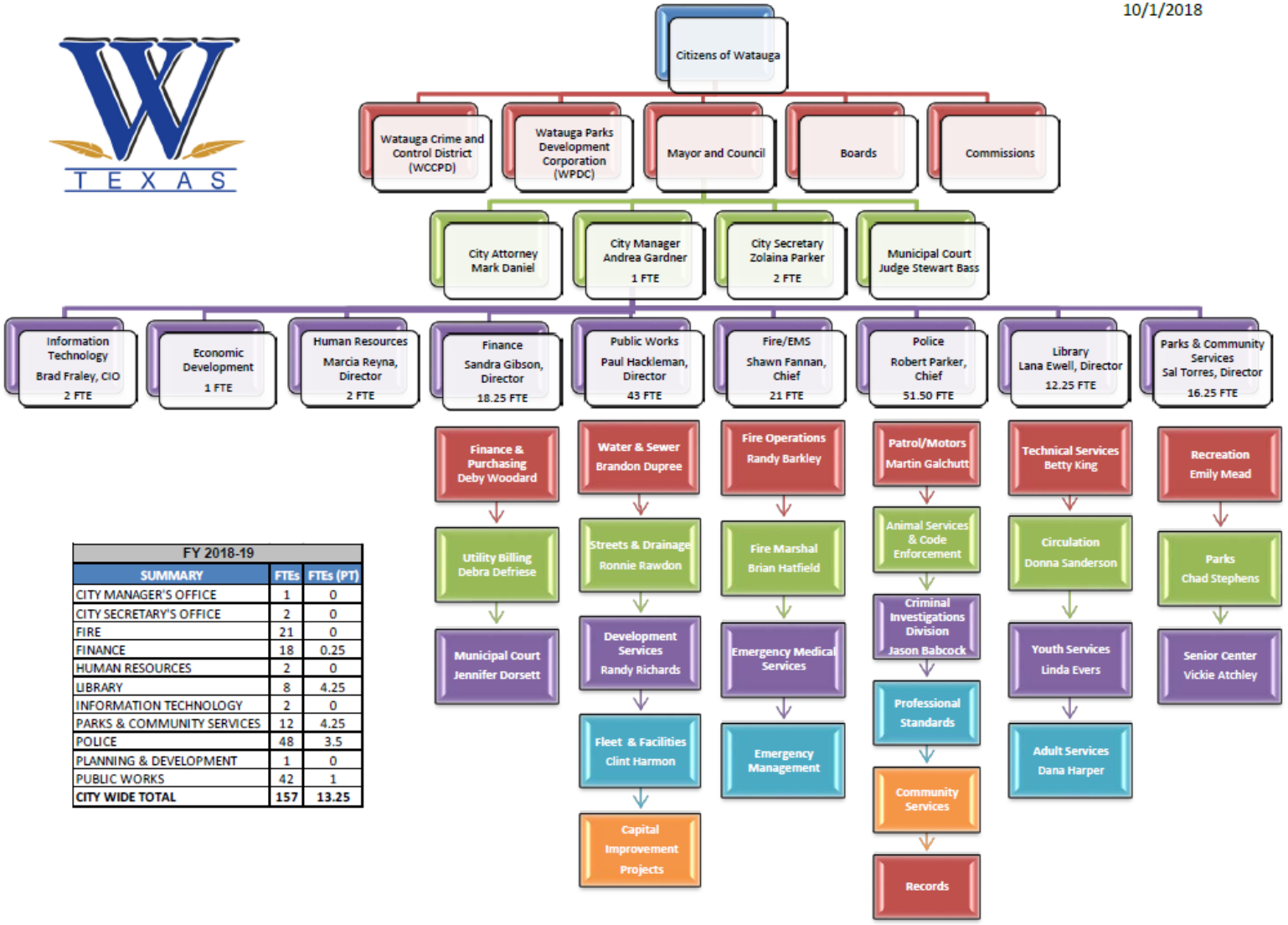
ORGANIZATIONAL CHART

10/1/2018


Citizens of Watauga
Watauga Crime and Control District (WCCPD)
Watauga Parks Development Corporation (WPDC)
Mayor and Council
Boards
Commissions
City Attorney Mark Daniel
City Manager Andrea Gardner 1 FTE
City Secretary Zolaina Parker 2 FTE
Municipal Court Judge Stewart Bass
Information Technology Brad Fraley, CIO 2 FTE
Economic Development 1 FTE
Human Resources Marcia Reyna, Director 2 FTE
Finance Sandra Gibson, Director 18.25 FTE
Public Works Paul Hackleman, Director 43 FTE
Fire/EMS Shawn Fannan, Chief 21 FTE
Police Robert Parker, Chief 51.50 FTE
Library Lana Ewell, Director 12.25 FTE
Parks & Community Services Sal Torres, Director 16.25 FTE
Finance & Purchasing Deby Woodard
Utility Billing Debra Defriese
Municipal Court Jennifer Dorsett
Water & Sewer Brandon Dupree
Streets & Drainage Ronnie Rawdon
Development Services Randy Richards
Fleet & Facilities Clint Harmon
Capital Improvement Projects
Fire Operations Randy Barkley
Fire Marshal Brian Hatfield
Emergency Medical Services
Emergency Management
Patrol/Motors Martin Galchutt
Animal Services & Code Enforcement
Criminal Investigations Division Jason Babcock
Professional Standards
Community Services
Records
Technical Services Betty King
Circulation Donna Sanderson
Youth Services Linda Evers
Adult Services Dana Harper
Recreation Emily Mead
Parks Chad Stephens
Senior Center Vickie Atchley

FY 2018-19		
SUMMARY	FTEs	FTEs (PT)
CITY MANAGER'S OFFICE	1	0
CITY SECRETARY'S OFFICE	2	0
FIRE	21	0
FINANCE	18	0.25
HUMAN RESOURCES	2	0
LIBRARY	8	4.25
INFORMATION TECHNOLOGY	2	0
PARKS & COMMUNITY SERVICES	12	4.25
POLICE	48	3.5
PLANNING & DEVELOPMENT	1	0
PUBLIC WORKS	42	1
CITY WIDE TOTAL	**157**	**13.25**

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor Pro Tem and
Members of City Council
City of Watauga, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Watauga, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor Pro Tem and
Members of City Council
City of Watauga, Texas

Emphasis of Matter

As discussed in Note 1 and Note 13 to the financial statements, the City adopted the provisions of Government Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of September 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 12, budgetary comparison information on pages 56 to 57, and pension and OPEB information on pages 58 to 60, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund statements and schedules are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information in the introductory section and statistical section listed in the foregoing table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Whitley Penn LLP

Houston, Texas
February 26, 2019

On behalf of City Council, we, as management of the City of Watauga, offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2018. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets, and the City's desirability will be maintained not just for the current year but well into the future.

Financial reporting is limited in its ability to provide the "big picture" but rather focus on financial position and changes in financial position. In other words, are revenues and/or expenditures higher or lower than the previous year? Have net position or fund balances of the government been maintained? We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal and the Statistical Section which can be found on pages i-vii and pages 81-101 of this report respectively. Also, you may review additional information on the annual budget and other community facts and figures on the City's website at www.cowtx.org.

Please note that the Report of Independent Auditors describes the auditor's association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited.

Financial Highlights

- The net position of the City at the close of the most recent fiscal year was $72,901,775. This number must be viewed in the context that the vast majority of the city's net position of $62,605,198 (85.9%) is the net investment in capital assets and that most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position restricted for specific purposes totals $4,457,373 (6.1%). The remaining $5,839,204 (8.0%) is unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased $726,109 from the prior year.

- The City's total capital assets (net of accumulated depreciation) increased by $1,320,389 which is primarily attributed to completion of capital improvement projects and other asset additions exceeding current year depreciation expense and asset retirements.

- The City's total long-term debt increased by $4,540,040, or 14.1%, due to an issuance of Certificates of Obligation in the amount of $6,780,000 for capital improvements partially offset by existing debt payments.

- Governmental activities realized an increase in total net position, net of the prior period adjustment of $440,926 and business-type activities realized an increase in total net position, net of the prior period adjustment of $1,406,855 bringing the total increase in net position for the City to $1,847,781.

- Total Governmental Funds ending balance was $19,627,201, an increase of $4,937,283 in comparison to the prior year. This was due primarily to the issuance of Certificates of Obligation general debt issuance for construction projects during the fiscal year. The Unassigned General Fund balance was $4,541,421 or 38% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

We intend this discussion and analysis to serve as an introduction to the City of Watauga's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Watauga's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Watauga that are 1) principally supported by taxes and intergovernmental revenues (governmental activities), and 2) functions that are intended to recover all or a significant portion of their costs through their user fees and charges (proprietary or business-type activities). The governmental activities of the City include General Government, Police, Fire/EMS, Culture and Recreation, and Public Works. The proprietary or business-type activities of the City include Water/Sewer and Drainage system activities.

The government-wide financial statements include not only the City of Watauga itself, known as the primary government, but also include the Watauga Parks Development Corporation (WPDC) and the Watauga Crime Control and Prevention District (WCCPD), which are legally separate but financially accountable to the City. A blended presentation is used to report the financial information of these component units. The financial information for the individual component units is available from the City.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental, (2) proprietary, and (3) internal service.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service, and Capital Project funds, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget. Budgetary comparison schedules have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds. The City maintains two major proprietary or enterprise funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer and Drainage activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for some of its equipment replacement. Because these services predominately benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water/Sewer and Drainage, both of which are considered to be major funds of the City. The Internal Service Fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-54 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required Supplementary Information (RSI) can be found on pages 56-60 of this report.

The combining statements referred to earlier in connection with non major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found on pages 64-77 of this report.

Government-Wide Financial Analysis

Total Assets of the City are $121,474,426. Capital assets, net of depreciation, represent the largest portion of the City's assets ($81,585,169, or 67.2%) and include land, buildings, improvements, equipment, infrastructure, and construction-in-progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As noted earlier, Net Position may serve as a useful indicator of a government's financial position. As of September 30, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $72,901,775 (Net Position).

At year end, the City's Net Investment in Capital Assets is $62,605,198. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending.

Restricted net position is $4,457,373 or 6.1% of total net position, and represents resources that are subject to external restrictions on how they may be used. The remaining balance of total net position is unrestricted ($5,839,204 or 8.0%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, there was an increase of $1,847,781 in total net position during the fiscal year, net of a prior period adjustment of ($1,288,149), as a result of the City's operations. Governmental activities showed an increase of $440,926 , net of a prior period adjustment of ($1,063,949), while Business-type activities showed an increase of $1,406,855 , net of a prior period adjustment of ($224,200), as a result of the City's operations.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 23,242,022	$ 18,054,150	$ 16,647,235	$ 15,480,824	$ 39,889,257	$ 33,534,974
Capital assets	49,744,551	48,070,644	31,840,618	32,194,136	81,585,169	80,264,780
Total Assets	72,986,573	66,124,794	48,487,853	47,674,960	121,474,426	113,799,754
Deferred outflows of resources	1,754,642	2,134,238	329,505	401,233	2,084,147	2,535,471
Long-term liabilities outstanding	28,337,403	24,038,210	16,393,499	17,404,704	44,730,902	41,442,914
Other liabilities	1,449,243	1,368,255	1,846,074	1,821,042	3,295,317	3,189,297
Total Liabilities	29,786,646	25,406,465	18,239,573	19,225,746	48,026,219	44,632,211
Deferred inflows of resources	2,207,425	546,349	423,154	102,671	2,630,579	649,020
Net position:						
Net investment in capital assets	38,660,904	37,278,290	23,944,294	24,042,159	62,605,198	61,320,449
Restricted	4,457,373	4,620,450	-	-	4,457,373	4,620,450
Unrestricted	(371,133)	407,478	6,210,337	4,705,617	5,839,204	5,113,095
Total Net Position	$ 42,747,144	$ 42,306,218	$ 30,154,631	$ 28,747,776	$ 72,901,775	$ 71,053,994

As of September 30, 2018, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities, except for unrestricted net position in governmental activities. This is due to GASB Statement No. 75 implementation. See Note 13 for prior period adjustment.

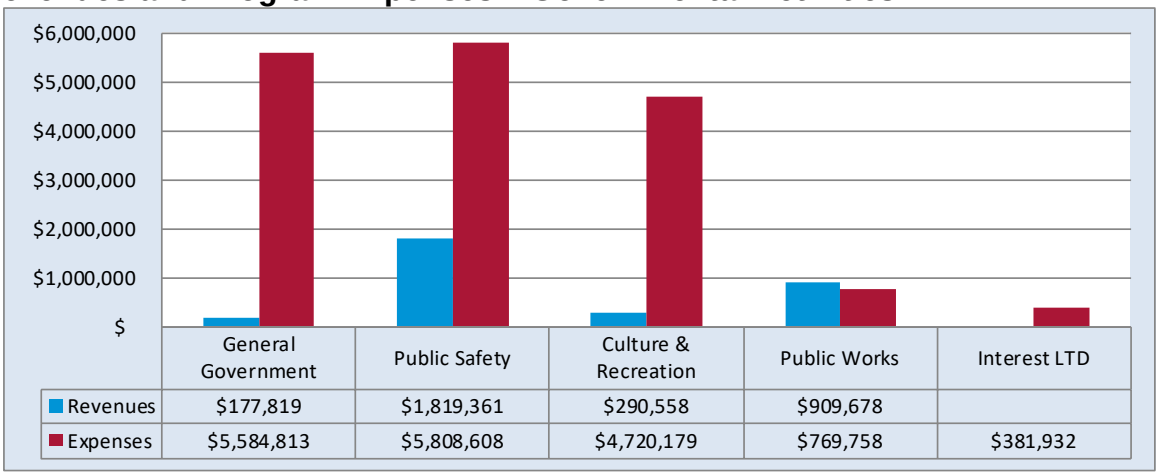
Condensed Statement of Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Fees, fines and charges for services	$ 3,159,066	$ 2,998,767	$ 9,674,907	$ 9,626,423	$ 12,833,973	$ 12,625,190
Operating grants and contributions	38,350	16,111	-	-	38,350	16,111
General revenue						
Property taxes	7,430,079	7,022,618	-	-	7,430,079	7,022,618
Sales taxes	5,850,480	5,814,302	-	-	5,850,480	5,814,302
Franchise taxes	925,895	1,003,842	-	-	925,895	1,003,842
Payment in lieu of taxes	497,961	457,222	-	-	497,961	457,222
Penalties and interest	35,044	39,561	-	-	35,044	39,561
Interest on investments	280,383	152,516	222,974	103,443	503,357	255,959
Miscellaneous revenue	8,946	9,439	-	8,150	8,946	17,589
Total Revenues	18,226,204	17,514,378	9,897,881	9,738,016	28,124,085	27,252,394
Expenses						
General government	5,584,813	3,522,986	-	-	5,584,813	3,522,986
Public safety	5,808,608	5,845,630	-	-	5,808,608	5,845,630
Culture and recreation	4,720,179	5,095,575	-	-	4,720,179	5,095,575
Public works	769,758	2,472,838	-	-	769,758	2,472,838
Interest on long-term debt	381,932	411,910	-	-	381,932	411,910
Water and sewer	-	-	6,707,331	6,979,614	6,707,331	6,979,614
Drainage Utility	-	-	1,015,534	978,469	1,015,534	978,469
Total Expenses	17,265,290	17,348,939	7,722,865	7,958,083	24,988,155	25,307,022
Increase (decrease) in net position before transfers	960,914	165,439	2,175,016	1,779,933	3,135,930	1,945,372
Transfers	543,961	516,695	(543,961)	(516,695)	-	-
Increase (decrease) in net position after transfers	1,504,875	682,134	1,631,055	1,263,238	3,135,930	1,945,372
Net position - beginning	42,306,218	41,624,084	28,747,776	27,484,538	71,053,994	69,108,622
Prior period adjustment	(1,063,949)	-	(224,200)	-	(1,288,149)	-
Net position - ending	$ 42,747,144	$ 42,306,218	$ 30,154,631	$ 28,747,776	$ 72,901,775	$ 71,053,994

Governmental activities. Governmental activities total increase in net position was $440,926 or 1.0% increase from the prior year. Key elements of activity changes from the prior year are as follows:

- Total revenues increased by $711,826 or 4.1% from the prior year. In general revenues, ad valorem tax experienced an increase of $407,460 due to an increase in assessed valuations from increases in existing values. Additionally, increases were seen in sales taxes of $36,178 and interest income in the amount of $127,867.
- Expenses decreased by $83,649 or 0.5% due to large part to the City experiencing salary savings this year, specifically in Public Safety positions being unfilled during the fiscal year .

Revenues and Program Expenses – Governmental Activities



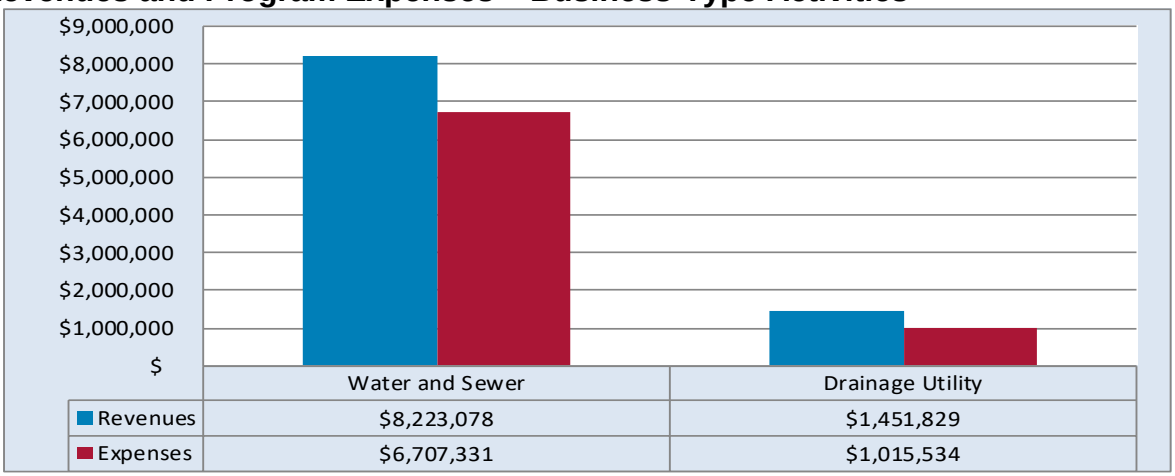
	General Government	Public Safety	Culture & Recreation	Public Works	Interest LTD
Revenues	$177,819	$1,819,361	$290,558	$909,678	
Expenses	$5,584,813	$5,808,608	$4,720,179	$769,758	$381,932

Business-type activities. Business-type activities increased the City's net position by $1,406,855, or 4.9% increase from the prior year.

Significant changes from the prior year include:

- Decrease in long term liabilities outstanding by $1,011,205, or 5.8% due to scheduled principal reductions in certificates of obligations during the fiscal year.
- Total revenues increased by $159,865 due to an increase in water consumption.
- Total expenses decreased by $235,218. This was due primarily to wastewater treatment costs being lower than expectations.

Revenues and Program Expenses – Business-Type Activities



	Water and Sewer	Drainage Utility
Revenues	$8,223,078	$1,451,829
Expenses	$6,707,331	$1,015,534

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Watauga's governmental funds reported a combined ending fund balance of $19,627,201, which is an increase of $4,937,283 from the prior year. Unassigned fund balance is $4,541,421 or 23% of the total governmental fund balance and is available for spending at the government's discretion. The remainder of fund balance is in the form of 1) non-spendable for inventories ($21,487) and prepaid items ($18,916), 2) restricted for capital acquisitions and contractual obligations ($10,908,618), retirement of fund indebtedness ($710,903), culture and recreation ($869,225), public works ($1,137,735) and public safety ($1,418,896). See discussion under Fund Balance Classifications in Note 1 of the Notes to Basic Financial Statements for additional details.

In the General Fund, the City originally budgeted for a decrease in fund balance (planned reduction) of $494,144. Due to a positive budget variance in overall expenditures, the General Fund ended the year with an increase to fund balance in the amount of $39,604. Overall, revenues came in slightly under expectations with a $74,854 negative budget variance, primarily due to the decrease in fines and forfeitures relating to staffing issues in the police department experienced throughout the year. However, this decrease was offset by permit revenues relating to a new 55-home development in the City surpassing both prior year and budget expectations.

General Fund expenditures had a positive budget variance or savings of $550,418. This was primarily due to personnel and related benefit budgetary savings resulting from vacant positions in the police and public works departments.

The G.O. Debt Service fund balance increased by $173,827 over the prior year, to $710,903 as a result of an increase in ad valorem tax collections and interest.

The Capital Projects fund experienced a net increase of $5,045,307 primarily due to the issuance of a $6.78 million debt issuance for capital equipment, street improvements, park projects and various other capital projects throughout the City.

The non-major governmental funds showed a combined $321,455 decrease in fund balance from the prior year. This was primarily due to an increase in Crime Control and Prevention District expenditures relating to personnel costs and a planned fund balance drawdown for transfers to internal service fund for equipment and vehicle replacements.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective proprietary funds are Water/Sewer at $2,503,865 and Drainage Utility at $3,706,472. The proprietary funds had a combined net position increase of $1,622,042 as a result of operations. The Water/Sewer fund had an increase in the net position of $1,238,039, while the Drainage Utility fund had a net position increase of $384,003 as a result of operations.

Most of the City's proprietary funds are heavily dependent on local weather conditions. Thus, fluctuations in revenues and expenses fluctuate due to increases or decreases in water consumption and wholesale water and wastewater treatment costs. Rainfall was considered a "normal" year for much of the year, with the exception of a large amount of rainfall in February and September. This resulted in a budgetary savings of approximately $500,000 for wastewater treatment costs. Water consumption increased by 6% in comparison to prior year, resulting in an increase of $235,000 in water revenues, or a 5.6% increase

compared to prior year. The Drainage utility increase in net position of $384,003 results primarily from increases in revenue for pay-as-you go capital projects planned for the next several years.

Budgetary Highlights

Actual total general fund expenditures were significantly under budget for FY 2018. There was an overall positive variance with final budget for the General Fund of $546,518. A major component in this positive variance was lower than forecasted expenditures of $625,272. This was primarily due to salary savings in the Police department as a result of various positions not being filled throughout the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2018, amount to $81,585,169 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's capital asset investment for the current fiscal year was 2.1%. This was primarily from purchase of new assets with proceeds from bonds issued during the prior fiscal years.

Major capital asset events during the fiscal year included the following:

- Projects that were included in Construction in Progress in FY2017 which were completed this fiscal year include the following:
    - Senior Center project in the amount of $2,283,345
    - Wastewater Improvements, Phase I in the South part of the City in the amount of $6,878,404
    - Bursey Road, Phase II in the amount of $2,117,400
    - Whitley Road, Phase I in the amount of $1,134,404
    - Watauga Heights Drainage Improvements in the amount of $1,521,771
- Projects that began in FY2018 or continued from prior years that were added to Construction in Progress include the following:
    - CDBG 44th Year design work for a wastewater project on Dunson Drive began in the amount of $2,500
    - Whitley Road, Phase III water project in the amount of $246,322
    - Overlay Project FY2017-2018 which includes improvements of six streets in the amount of $435,862
    - Meadowlark Lane East water and sewer line improvements commenced, totaling $85,910 for the year
    - Water Tower Resurfacing project increased by $23,680 bringing the total CIP for this project to $38,912
    - Whitley Road, Phase II increased by $5,696 bringing the total CIP for the project to $284,800
    - The Starnes Road waterline replacement project increased by $83,320 bringing the total CIP for the project to $104,000
    - Wastewater improvements continued in the North part of the City bringing total CIP to $197,909
    - Splash pad Parks project increased by $24,320 bringing the total CIP for this project to $24,663
    - Capp Smith Park retaining wall Parks project increased by $11,130 bringing the total CIP for this project to $45,580
    - The Green Ribbon project, an initiative to improve and beautify the corridor along Highway 377 increased by $41,519 bringing the total CIP for this project to $66,979

- Other projects that were completed in FY2018 for a total of $342,009 include:
  - Parks projects to include sidewalk repairs at Foster Village and Capp Smith Parks in the amount of $58,886, Capp Smith Park Amphitheater lighting in the amount of $6,228, and fencing additions and improvements at Foster Village Park in the amount of $9,900
  - Infrastructure improvements (street overlays, sidewalks) in the amount of $232,496
  - City Hall fountain repair in the amount of $6,800
  - Installation of a new traffic signal detection system in the amount of $9,925
  - Continuation of Storm Drain Channel Improvement program in the amount of $17,774

Schedule of Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	$ 19,019,600	$ 19,019,600	$ 91,000	$ 91,000	$ 19,110,600	$ 19,110,600
Construction in progress	747,492	3,338,105	785,223	8,937,551	1,532,715	12,275,656
Buildings and improvements	16,493,455	14,597,608	2,163,816	2,227,491	18,657,271	16,825,099
Improvements other than buildings	358,430	366,706	-	-	358,430	366,706
Equipment	3,522,728	3,381,729	678,407	744,400	4,201,135	4,126,129
Drainage improvements	-	-	8,917,869	7,657,685	8,917,869	7,657,685
Infrastructure	9,602,846	7,366,896	-	-	9,602,846	7,366,896
Waterworks and sanitary sewer system	-	-	19,204,303	12,536,009	19,204,303	12,536,009
Total Capital Assets	$ 49,744,551	$ 48,070,644	$ 31,840,618	$ 32,194,136	$ 81,585,169	$ 80,264,780

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $35,300,000. This entire amount comprises debt backed by the full faith and credit of the government.

Other debt includes $379,687 owed to the City of North Richland Hills for the City's portion of a joint agreement on street repair, and in Compensated Absences for employee earned, but unpaid, vacation and sick leave.

During the current fiscal year, the City's total debt increased by $4,540,040, which was mainly due to an issuance of Combination Tax and Limited Pledge Revenue Certificates of Obligations, Series 2018.

Schedule of Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	$ 1,605,000	$ 2,335,000	$ 7,080,000	$ 7,325,000	$ 8,685,000	$ 9,660,000
Certificates of obligation	19,040,000	13,195,000	7,575,000	8,090,000	26,615,000	21,285,000
Notes payable	379,687	442,622	-	-	379,687	442,622
Unamortized bond premium	593,220	308,685	546,745	583,305	1,139,965	891,990
	$ 21,617,907	$ 16,281,307	$ 15,201,745	$ 15,998,305	$ 36,819,652	$ 32,279,612

The City's General Obligation Bond ratings are listed below:

	Standard & Poors	Moody's	Fitch
General Obligation	AA	Aa3	AA-

Additional information on the City's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budget and Rates

Over the last couple of years, the City has experienced growth in property valuations. In FY2017-18, valuations increased by 9.5% from prior year and in FY2018-19, valuations increased by 9.2%. This increase in valuations will allow the City to have operational funds for programs and cover operational increases without increasing the preceding year's tax rate. The tax rate for FY2018-19 was set at $0.601788 per $100 of assessed valuation, which is the same rate as last year's rate.

A significant portion of the city's general operating revenue is derived from sales tax. Over the past several years, the City has experienced a decrease in sales tax revenues, but ended Fiscal Year 2018 with a 0.6% increase from prior year. We are forecasting an increase of 1% in the FY2018-19 budget compared to FY2017-18 actual sales tax receipts. Sales taxes are expected to remain steady with modest increases in future years. The City's Economic Development Division is continuing their efforts to bring in high quality visually appealing businesses, as well as revitalize and invest in areas that have seen some deterioration of economic activity. Efforts to maintain and grow our sales tax base continue to be a high priority.

In order to maintain and improve the City's infrastructure, many capital improvement projects are underway in the City at this time. Several major water/wastewater system infrastructure projects are planned in the 5-year Capital Improvement Plan as well as significant improvements to our storm water drainage system. The Wastewater Phase I and Phase II projects are currently in progress and were near completion at the end of FY2017-18. Additional water and wastewater projects are planned with the proceeds of a $8 million debt issuance proposed for the later part of FY2019. An increase in water and sewer rates has been proposed in the spring of 2019 that will cover operational cost increases. In FY2017-18, the City issued new General Fund debt in the amount of $6.780 million to fund general capital equipment and projects over the next several years. Additionally, quality of life projects such as a splash pad and parks projects are funded with this issuance. The City has also applied for a Texas Parks and Wildlife (TPWD) Grant to assist with the funding of the splash pad project.

Request for Information

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Sandra Gibson, CGFO, CGFM, Director of Finance by phone at 817-514-5822, or by email at financedirector@wataugatx.org.

BASIC FINANCIAL STATEMENTS

CITY OF WATAUGA, TEXAS
GOVERNMENT WIDE - STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 7,754,352	$ 3,426,889	$ 11,181,241
Investments	13,773,403	11,500,626	25,274,029
Receivables, net of allowance for uncollectibles	1,673,864	1,697,337	3,371,201
Inventories	21,487	22,383	43,870
Prepaid items	18,916	-	18,916
Capital assets:			
Not subject to depreciation	19,767,092	876,223	20,643,315
Subject to depreciation	29,977,459	30,964,395	60,941,854
Total Capital Assets	49,744,551	31,840,618	81,585,169
Total Assets	72,986,573	48,487,853	121,474,426
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - OPEB	94,275	19,700	113,975
Deferred outflows - pension	1,660,367	309,805	1,970,172
Total deferred outflows of resources	1,754,642	329,505	2,084,147
LIABILITIES			
Accounts payable	718,096	795,465	1,513,561
Accrued liabilities	601,730	75,080	676,810
Accrued interest	110,087	63,473	173,560
Customer deposits	19,330	912,056	931,386
Long-term liabilities:			
Due within one year	2,033,263	848,906	2,882,169
Due in more than one year	21,927,508	14,702,934	36,630,442
Net pension liability	3,153,694	584,259	3,737,953
Net OPEB liability	1,222,938	257,400	1,480,338
Total Liabilities	29,786,646	18,239,573	48,026,219
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	2,207,425	423,154	2,630,579
Total deferred outflows of resources	2,207,425	423,154	2,630,579
NET POSITION			
Net investment in capital assets	38,660,904	23,944,294	62,605,198
Restricted for:			
Capital improvements	374,358	-	374,358
Debt service	657,159	-	657,159
Culture and recreation	869,225	-	869,225
Public works	1,137,735	-	1,137,735
Public safety	1,418,896	-	1,418,896
Unrestricted	(371,133)	6,210,337	5,839,204
Total Net Position	$ 42,747,144	$ 30,154,631	$ 72,901,775

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
GOVERNMENT WIDE - STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government						
Governmental activities						
General government	$ 5,584,813	$ 177,819	$ -	$ (5,406,994)	$ -	$ (5,406,994)
Public safety	5,808,608	1,819,361	-	(3,989,247)	-	(3,989,247)
Culture and recreation	4,720,179	252,208	38,350	(4,429,621)	-	(4,429,621)
Public works	769,758	909,678	-	139,920	-	139,920
Interest on long-term debt	381,932	-	-	(381,932)	-	(381,932)
Total governmental activities	17,265,290	3,159,066	38,350	(14,067,874)	-	(14,067,874)
Business-type activities:						
Water and Sewer	6,707,331	8,223,078	-	-	1,515,747	1,515,747
Drainage Utility	1,015,534	1,451,829	-	-	436,295	436,295
Total business-type activities	7,722,865	9,674,907	-	-	1,952,042	1,952,042
Total primary government	$ 24,988,155	$ 12,833,973	$ 38,350	(14,067,874)	1,952,042	(12,115,832)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				7,430,079	-	7,430,079
Sales taxes				5,850,480	-	5,850,480
Franchise taxes				925,895	-	925,895
Payment in lieu of taxes				497,961	-	497,961
Penalties and interest				35,044	-	35,044
Interest on investments				280,383	222,974	503,357
Miscellaneous revenue				8,946	-	8,946
Transfers				543,961	(543,961)	-
Total general revenues and transfers				15,572,749	(320,987)	15,251,762
Change in net position				1,504,875	1,631,055	3,135,930
Net position - beginning				42,306,218	28,747,776	71,053,994
Prior Period Adjustment				(1,063,949)	(224,200)	(1,288,149)
Net position - ending				$ 42,747,144	$ 30,154,631	$ 72,901,775

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,175,774	$ 603,246	$ 572,564	$ 2,443,347	$ 6,794,931
Investments	1,227,601	120,437	9,989,096	1,519,522	12,856,656
Receivables, net of allowance for uncollectibles					
Property taxes	100,748	43,562	4,910	-	149,220
Accounts receivable	1,012,351	-	-	506,246	1,518,597
Prepaids and deposits	8,651	-	-	10,265	18,916
Inventory of supplies	21,487	-	-	-	21,487
Total Assets	$ 5,546,612	$ 767,245	$ 10,566,570	$ 4,479,380	$ 21,359,807
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 91,893	$ -	$ 32,310	$ 591,680	$ 715,883
Accrued liabilities	524,509	-	-	77,221	601,730
Accrued interest payable	-	12,780	-	-	12,780
Deposits	19,330	-	-	-	19,330
Total Liabilities	635,732	12,780	32,310	668,901	1,349,723
Deferred Inflows of Resources					
Unavailable revenue - Property Taxes	100,748	43,562	-	-	144,310
Unavailable revenue - EMS	238,573	-	-	-	238,573
Total Deferred Inflows of Resources	339,321	43,562	-	-	382,883
Fund balances:					
Non-Spendable					
Inventories	21,487	-	-	-	21,487
Prepaid items	8,651	-	-	10,265	18,916
Restricted					
Capital acquisitions and contractual obligations	-	-	10,534,260	374,358	10,908,618
Debt service	-	710,903	-	-	710,903
Culture and recreation	-	-	-	869,225	869,225
Public works	-	-	-	1,137,735	1,137,735
Public safety	-	-	-	1,418,896	1,418,896
Unassigned	4,541,421	-	-	-	4,541,421
Total Fund balances	4,571,559	710,903	10,534,260	3,810,479	19,627,201
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,546,612	$ 767,245	$ 10,566,570	$ 4,479,380	$ 21,359,807

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2018

Total fund balance - governmental funds	$	19,627,201
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		48,332,238
Deferred outflows related to OPEB		94,275
Deferred outflows related to Texas Municipal Retirement System		1,660,367
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(97,307)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		382,883
Deferred inflows related to Texas Municipal Retirement System		(2,207,425)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General obligation bonds		(1,605,000)
Certificate of obligations		(19,040,000)
Premiums on issuance		(593,220)
Notes payable		(379,687)
Compensated absences		(2,342,864)
Net pension liability		(3,153,694)
Net OPEB liability		(1,222,938)
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. The net position of the internal service fund is net of the amount allocated to business-type activities, deferred charges, capital assets and long-term liabilities.		3,292,315
Net position of governmental activities	$	42,747,144

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and franchise fees	$ 9,092,461	$ 2,257,321	$ -	$ 2,886,150	$ 14,235,932
Licenses and permits	726,796	-	-	-	726,796
Charges for services	757,088	-	-	-	757,088
Fines and forfeitures	436,262	-	-	970,089	1,406,351
Interest income	80,990	12,617	94,384	59,849	247,840
Intergovernmental	497,961	-	-	-	497,961
Miscellaneous	289,824	-	-	47,224	337,048
Total Revenues	11,881,382	2,269,938	94,384	3,963,312	18,209,016
Expenditures					
Current:					
General government	6,233,602	-	-	-	6,233,602
Public safety	3,297,446	-	-	2,363,501	5,660,947
Culture and recreation	1,630,289	-	-	679,283	2,309,572
Public works	944,771	-	-	89,842	1,034,613
Capital outlay	-	-	2,186,224	711,772	2,897,996
Debt Service:					
Principal	-	1,665,000	62,935	-	1,727,935
Interest and other charges	-	431,111	106,087	-	537,198
Total Expenditures	12,106,108	2,096,111	2,355,246	3,844,398	20,401,863
Excess (deficiency) of revenues over expenditures	(224,726)	173,827	(2,260,862)	118,914	(2,192,847)
Other Financing Sources (Uses)					
General obligation debt issued	-	-	6,780,000	-	6,780,000
Premium on general obligation debt	-	-	306,169	-	306,169
Transfers in	563,100	-	220,000	12,770	795,870
Transfers out	(298,770)	-	-	(453,139)	(751,909)
Total other financing sources and uses	264,330	-	7,306,169	(440,369)	7,130,130
Net change in fund balances	39,604	173,827	5,045,307	(321,455)	4,937,283
Fund balances - beginning	4,531,955	537,076	5,488,953	4,131,934	14,689,918
Fund balances - ending	$ 4,571,559	$ 710,903	$ 10,534,260	$ 3,810,479	$ 19,627,201

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

Net change in fund balances - total governmental funds	$	4,937,283
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		3,446,868
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(2,271,602)
The issuance of long-term debt (e.g. bonds) ($6,780,000) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt of $1,727,935 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items of ($297,315) ,when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(5,349,380)
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(80,384)
Contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position		
Pension		1,068,421
OPEB		15,036
Accrued interest is not reported in the fund financial statements and the change is reported in the statement of activities		(13,756)
Certain unavailable revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(15,387)
Pension expense for the pension plan measurement year		(862,639)
OPEB expense for the pension plan measurement year		(77,996)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net revenue of the internal service funds is reported with business-type activities.		708,411
Change in net position of governmental activities	$	1,504,875

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,625,154	$ 1,801,735	$ 3,426,889	$ 959,421
Investments	9,354,005	2,146,621	11,500,626	916,747
Accounts receivable and unbilled revenue less allowance for uncollectibles	1,605,868	91,469	1,697,337	6,047
Inventories	22,383	-	22,383	-
Total current assets	12,607,410	4,039,825	16,647,235	1,882,215
Non-current assets:				
Capital Assets:				
Land	91,000	-	91,000	-
Construction in Progress	751,574	33,649	785,223	-
Buildings	3,246,847	106,931	3,353,778	154,068
Equipment	1,541,510	88,014	1,629,524	3,461,260
Drainage improvements	-	18,417,917	18,417,917	-
Waterworks and sanitary sewer system	23,665,057	-	23,665,057	-
	29,295,988	18,646,511	47,942,499	3,615,328
Less Accumulated depreciation	(6,703,904)	(9,589,249)	(16,293,153)	(2,011,743)
Capital assets net of depreciation	22,592,084	9,057,262	31,649,346	1,603,585
Total assets	35,199,494	13,097,087	48,296,581	3,485,800
DEFERRED OUTFLOWS OF				
Deferred outflows - OPEB	15,500	4,200	19,700	-
Deferred outflows - pension	241,870	67,935	309,805	-
Total deferred outflows	257,370	72,135	329,505	-

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
LIABILITIES				
Current liabilities				
Payable from current assets				
Accounts payable	$ 789,981	$ 5,484	$ 795,465	$ 2,213
Accrued liabilities	58,429	16,651	75,080	-
Current portion of compensated absences	32,094	6,812	38,906	-
Current portion of bonds payable	810,000	-	810,000	-
Deposits	912,056	-	912,056	-
Accrued interest	63,473	-	63,473	-
Total current liabilities	2,666,033	28,947	2,694,980	2,213
Noncurrent liabilities:				
Bonds payable	14,391,745	-	14,391,745	-
Compensated absences	217,955	93,234	311,189	-
Net pension liability	443,524	140,735	584,259	-
Net OPEB liability	202,700	54,700	257,400	-
Total non-current liabilities	15,255,924	288,669	15,544,593	-
Total liabilities	17,921,957	317,616	18,239,573	2,213
DEFERRED INFLOWS OF				
Deferred inflows - pension	335,282	87,872	423,154	-
Total deferred outflows	335,282	87,872	423,154	-
NET POSITION				
Net investment in capital assets	14,695,760	9,057,262	23,753,022	1,603,585
Unrestricted	2,503,865	3,706,472	6,210,337	1,880,002
Total Net Position	$ 17,199,625	$ 12,763,734	29,963,359	$ 3,483,587
Reconciliation to government-wide statement of net position				
Adjustment to reflect the consolidation of internal service fund activities related to			191,272	
Net position of business-type activities			$ 30,154,631	

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2018

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
Operating revenues				
Water service	$ 4,474,557	$ -	$ 4,474,557	$ -
Sewer service	3,342,387	-	3,342,387	-
Drainage fees	-	1,451,829	1,451,829	-
Service fees and miscellaneous	406,134	-	406,134	407,040
Total operating revenues	8,223,078	1,451,829	9,674,907	407,040
Operating expenses				
Personnel services	1,500,208	442,638	1,942,846	-
Supplies	118,684	25,421	144,105	-
Maintenance	40,531	14,441	54,972	-
Contractual services	3,977,245	171,307	4,148,552	-
Capital outlay	158,540	-	158,540	76,739
Bad debt expense	34,857	3,635	38,492	-
Depreciation and amortization	433,225	358,092	791,317	163,478
Total operating expenses	6,263,290	1,015,534	7,278,824	240,217
Operating income (loss)	1,959,788	436,295	2,396,083	166,823
Non-operating revenues (expenses)				
Investment income	158,266	64,708	222,974	32,575
Gain (loss) on disposal of capital assets	-	-	-	7,000
Interest expense	(453,054)	-	(453,054)	-
Total Non-operating revenue (expenses), net	(294,788)	64,708	(230,080)	39,575
Income (loss) before transfers	1,665,000	501,003	2,166,003	206,398
Transfers in	-	-	-	500,000
Transfers out	(426,961)	(117,000)	(543,961)	-
Change in net position	1,238,039	384,003	1,622,042	706,398
Total net position - beginning of the year	16,138,086	12,427,431		2,777,189
Prior period adjustment	(176,500)	(47,700)		
Total net position - ending of the year	$ 17,199,625	$ 12,763,734		$ 3,483,587

Reconciliation to government-wide statement of net position

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	9,013
Change in net position of business-type activities	$ 1,631,055

The Notes to the Basic Financial Statements are an integral part of this statement.

CITY OF WATAUGA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2018

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
OPERATING ACTIVITIES				
Cash received from customers	$ 8,352,339	$ 1,442,073	$ 9,794,412	$ 403,411
Cash payments to suppliers for goods and services	(3,880,775)	(210,788)	(4,091,563)	(74,526)
Cash payments to employees for services	(1,856,371)	(505,075)	(2,361,446)	-
Net cash provided by operating activities	2,615,193	726,210	3,341,403	328,885
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	500,000
Transfers to other funds	(426,961)	(117,000)	(543,961)	-
Net cash provided by (used by) noncapital financing activities	(426,961)	(117,000)	(543,961)	500,000
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of equipment	-	-	-	7,000
Purchase of capital assets	(344,327)	(84,459)	(428,786)	(671,132)
Repayment of debt	(760,000)	-	(760,000)	-
Interest paid on debt	(464,228)	-	(464,228)	-
Net cash provided by (used by) capital and related financing activities	(1,568,555)	(84,459)	(1,653,014)	(664,132)
INVESTING ACTIVITIES				
Sale of investments	38,454	-	38,454	-
Investment income	158,266	64,708	222,974	32,575
Purchase of investments	-	(246,347)	(246,347)	62,997
Net cash provided by (used by) investing activities	196,720	(181,639)	15,081	95,572
Net change in cash and cash equivalents	816,397	343,112	1,159,509	260,325
Cash and equivalents, beginning of year	808,757	1,458,623	2,267,380	699,096
Cash and equivalents, at end of year	$ 1,625,154	$ 1,801,735	$ 3,426,889	$ 959,421
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 1,959,788	$ 436,295	$ 2,396,083	$ 166,823
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	433,225	358,092	791,317	163,478
(Increase) decrease in accounts receivable and unbilled revenue	144,131	(9,756)	134,375	(3,629)
(Increase) decrease in prepaids items	315	-	315	-
(Increase) decrease in deferred outflows - pensions	72,712	18,716	91,428	-
(Increase) decrease in deferred outflows - OPEB	(10,600)	(2,800)	(13,400)	-
(increase) decrease in inventory	29,741	-	29,741	-
Increase (decrease) in deferred inflows - pension	254,879	65,604	320,483	-
Increase (decrease) in accounts payable	419,026	2,316	421,342	2,213
Increase (decrease) in accrued liabilities	(305,651)	(64,615)	(370,266)	-
Increase (decrease) in net pension liability	(359,172)	(92,449)	(451,621)	-
Increase (decrease) in net OPEB liability	21,300	5,600	26,900	-
Increase (decrease) in compensated absences	(29,631)	9,207	(20,424)	-
Increase (decrease) in deposits	(14,870)	-	(14,870)	-
Net cash provided by operating activities	$ 2,615,193	$ 726,210	$ 3,341,403	$ 328,885

The Notes to the Basic Financial Statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Watauga (the City) Home Rule Charter was adopted by the voters at an election held on January 19, 1980 and amended January 19, 1985, August 8, 1987, August 11, 1990, January 15, 1994, August 10, 1996, August 8, 1998, September 14, 2002, May 7, 2005, November 6, 2007 and May 11, 2013. The City operates under a Mayor-Council-Manager form of government. The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments.

The City prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No.'s 91 and 93* of the American Institute of Certified Public Accountants.

Financial Reporting Entity

The basic financial statements of the City include the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The following entities were found to be component units of the City and are included in the basic financial statements:

The Watauga Parks Development Corporation's (WPDC) sole purpose is to act on behalf of the City in the accumulation and use of resources to build and improve City parks. The WPDC's governing board is appointed by the City Council. The WPDC is composed of two funds: a special revenue fund and a capital projects fund.

The Watauga Crime Control and Prevention District Fund's (WCCPD) sole purpose is to act on behalf of the City in the accumulation and use of resources to add law enforcement officers and purchase additional equipment and supplies for law enforcement purposes. The WCCPD is reported as a special revenue fund.

A blended presentation has been used to report the financial information of these component units. The financial information for the individual component units is available from the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

General Obligation Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

General Obligation Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. Financing is provided primarily by the sale of tax notes, general obligation and contractual obligation bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly, at least annually, and adjusted if necessary to ensure integrity of the funds.

Drainage Utility Fund

The Drainage Utility Fund is used to account for the user fees charged per residential and commercial unit to enhance drainage of properties within the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance.

Additionally, the City reports the Internal Service Fund, which was established in 1997 for the purpose of replacing equipment. Departments are charged user fees to accumulate funds to be used in replacing existing equipment as needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Deposits and Investments

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash accounts or individual fund investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly-liquid investments with original maturities of three months or less.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

Certificates of Deposit are reported at cost plus accrued interest. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposits within established criterion.

Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to $2.50 per $100 of assessed valuation. The City's current tax rate is $0.601788 per $100 of assessed valuation ($0.618411 per $100 last year) and assessed valuation is approximately 100% of estimated value.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. Prepaid balances are reported in the governmental funds using the purchase method instead of the consumption method. Payments for prepaid items are fully recognized as expenditures in the year of payment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out method). Inventories consist primarily of expendable supplies.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	50 years
Improvements other than buildings	10 years
Equipment	3-10 years
Drainage Improvements	50 years
Infrastructure	9-50 years
Waterworks and sanitary sewer system	60 years

Compensated Absences

City employees are granted vacation, sick and other compensated time pay in varying amounts. In the event of termination, an employee hired before 10/1/2013 is reimbursed for accumulated unused vacation days up to a maximum of 60 days, or an employee hired after 10/1/2013 is reimbursed for accumulated unused vacation days up to a maximum of 30 days if the employee has completed their probationary period of six months for a non-civil service employee or at least one year for civil service employees. Employees hired before 10/1/2013 are reimbursed up to 100% of 90 days for accumulated sick leave. Non-civil service employees hired after 10/1/2013 are no longer reimbursed for unpaid sick leave. The total liability for compensated absences at September 30, 2018 was $2,692,959, including $350,095 of proprietary fund balances which are included with accrued liabilities on the proprietary fund balance sheet.

The estimated vacation liability expected to be satisfied with available financial resources is included in accrued salaries and wages in the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of net position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category Reported in the government-wide statement of net position:

- Deferred outflows of resources for refunding - the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred outflows of resources for pension - this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between projected and actual earnings on pension plan investments. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related outflow will be amortized over a closed five year period.

- Deferred outflows of resources for OPEB – these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits, which is currently between 5.75 and 8.5 years, depending on the plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for this category:

- Deferred inflows of resources for unavailable revenues – Reported in the governmental funds balance sheet, unavailable revenues from property taxes and EMS services arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows of resources for pension – Reported in the government-wide statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with pension through the pension plan, which is currently 3.62 years.

Fund Equity

The City reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity (continued)

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions for capital acquisitions and contractual obligations, retirement of fund indebtedness and other state restrictions have been properly classified in the Governmental Funds Balance Sheet.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority. Per the City's fund balance policy, assigned fund balance amounts are established by the City Manager.

Unassigned fund balance – amounts that are available for any purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City establishes (and modifies and rescinds) fund balance commitments by passage of a resolution by City Council.

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Since under Texas law, appropriations lapse at fiscal year-end, outstanding encumbrances are appropriately provided for in the subsequent years' budget to provide for the liquidation of the prior commitments. As of September 30, 2018, the City had no encumbrances in the General Fund that rolled over into the new fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71.

Other Post-Employment Benefits

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's self-insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees. Information regarding the City's total liability for this plan is obtained through a report prepared by Gabriel Roeder Smith & Company, the City's third-party actuary, in compliance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Additionally, the City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

Implementation of New Accounting Standards

In the current fiscal year, the City implemented the following new accounting standards:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the other postemployment benefits (OPEB) that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the following table:

Authorized Investment Type	Final Stated Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Public funds investment pool	N/A	100%	None
Certificates of deposit	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
No-load money market mutual funds	5 years	50%	None
Repurchase agreements	5 years	50%	None
State of Texas securities	5 years	50%	None
U.S. agency obligations	5 years	50%	None
Commercial paper	5 years	10%	None

The act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Deposits and investments as of September 30, 2018, are classified in the accompanying financial statements as follows:

Governmental Activities	$	21,527,755
Business Type Activities		14,927,515
	$	36,455,270

Deposits and investments as of September 30, 2018, consist of the following:

Deposits with financial institutions	$	430,822
Investments		36,024,448
	$	36,455,270

For the purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 365 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2018, the City had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity
TexPool	$ 6,746,961	28 days
TexPool Prime	515,842	30 days
TexasTerm	456,189	37 days
LOGIC	350,799	34 days
Money Market	16,827,658	Daily
CDs	11,126,999	22 Days
	$ 36,024,448	

$1,140,823 of the investments listed above is in a joint use facility fund with the City of North Richland Hills. The funds are to be used to maintain a water and sewer transfer station.

As of September 30, 2018, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy or debt agreements and the actual rating as of year-end for each investment type.

Investment Type	Carrying Value	Minimum Rating Required	Actual Investment Rating
TexPool	$ 6,746,961	AAA	AAAm
TexPool Prime	515,842	AAA	AAAm
Texas Term	456,189	AAA	AAAm
LOGIC	350,799	AAA	AAAm
Money Market	16,827,658	N/A	N/A
CDs	11,126,999	N/A	N/A
	$ 36,024,448		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2018, other than external investment pools and securities guaranteed by the United States Government, the City did not have 5% or more of its investments with one issuer.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance of $250,000 at all times.

At September 30, 2018, the carrying amount of the City's cash on hand and deposits was $430,822 and the bank balance was $1,185,307. Of the bank balance, $250,000 was covered by federal depository insurance while the remaining $935,307 was secured with securities held by the pledging financial institution's trust department or agent in the City's name.

The City is a voluntary participant in the TexPool, LOGIC and Texas Term external investment pools.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

LOGIC is governed by a six member board and is an AAA-rated investment program tailored to the investment needs of local governments within the state of Texas and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. LOGIC assists governments across Texas making the most of taxpayer dollars by allowing local officials to improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund. LOGIC is a "Constant Dollar" net asset value pool and is in full compliance with the Texas Public Funds Investment Act.

Texas Term is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. A seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

Custodial Credit Risk (continued)

The City's external pooled funds are reported at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* Amortized cost for the investment pools approximates fair value. In addition, The City's investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Market values of money market accounts and certificates of deposit are based on quoted market values using Level 2 inputs.

NOTE 3 – RECEIVABLES

Accounts receivable balances for the year ended September 30, 2018, was as follows:

	Major Funds				
	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
Receivables:					
Property taxes	$ 164,752	$ 74,274	$ -	$ -	$ 239,026
Sales tax	502,258	-	-	499,049	1,001,307
Garbage	97,109	-	-	-	97,109
Ambulance	544,364	-	-	-	544,364
Franchise fees	129,038	-	-	-	129,038
Other	159,624	-	4,910	7,197	171,731
Gross receivables	1,597,145	74,274	4,910	506,246	2,182,575
Less: allowance for uncollectibles	(484,046)	(30,712)	-	-	(514,758)
Net total receivables	$ 1,113,099	$ 43,562	$ 4,910	$ 506,246	$ 1,667,817

	Proprietary Funds		
	Water and Sewer	Drainage Utility	Total
Customer accounts	$ 2,365,551	$ 116,736	$ 2,482,287
Other	3,755	12,234	15,989
Gross receivables	2,369,306	128,970	2,498,276
Less allowance for uncollectibles	(763,438)	(37,501)	(800,939)
Total	$ 1,605,868	$ 91,469	$ 1,697,337

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Additions	Retirements/ Transfers	Balance September 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	$ 19,019,600	$ -	$ -	$ 19,019,600
Construction in progress	3,338,105	680,499	(3,271,112)	747,492
Total capital assets not being depreciated	22,357,705	680,499	(3,271,112)	19,767,092
Capital assets being depreciated				
Buildings and improvements	19,435,063	6,799	2,283,346	21,725,208
Improvements other than buildings	413,778	-	-	413,778
Equipment	12,077,463	986,963	(13,741)	13,050,685
Infrastructure	30,145,256	2,416,329	987,766	33,549,351
Total capital assets being depreciated	62,071,560	3,410,091	3,257,371	68,739,022
Less accumulated depreciation				
Buildings and improvements	4,837,455	394,298	-	5,231,753
Improvements other than buildings	47,072	8,276	-	55,348
Equipment	8,695,734	845,964	(13,741)	9,527,957
Infrastructure	22,778,360	1,168,145	-	23,946,505
Total accumulated depreciation	36,358,621	2,416,683	(13,741)	38,761,563
Total capital assets being depreciated, net	25,712,939	993,408	3,271,112	29,977,459
Governmental activities capital assets, net	$ 48,070,644	$ 1,673,907	$ -	$ 49,744,551

	Balance September 30, 2017	Additions	Retirements/ Transfers	Balance September 30, 2018
Business-Type Activities				
Capital assets not being depreciated				
Land	$ 91,000	$ -	$ -	$ 91,000
Construction in progress	8,937,551	279,760	(8,432,088)	785,223
Total capital assets not being depreciated	9,028,551	279,760	(8,432,088)	876,223
Capital assets being depreciated				
Buildings and improvements	3,353,778	-	-	3,353,778
Equipment	1,920,229	41,560	-	1,961,789
Street and drainage improvements	16,812,075	50,810	1,555,032	18,417,917
Waterworks and sewer system	16,703,935	84,066	6,877,056	23,665,057
Total capital assets being depreciated	38,790,017	176,436	8,432,088	47,398,541
Less accumulated depreciation for				
Buildings and improvements	1,126,287	63,675	-	1,189,962
Equipment	1,175,829	107,553	-	1,283,382
Street and drainage improvements	9,154,390	345,658	-	9,500,048
Waterworks and sewer system	4,167,926	292,828	-	4,460,754
Total accumulated depreciation	15,624,432	809,714	-	16,434,146
Total capital assets being depreciated, net	23,165,585	(633,278)	8,432,088	30,964,395
Business-type activities capital assets, net	$ 32,194,136	$ (353,518)	$ -	$ 31,840,618

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities		
General government	$	275,027
Public safety		357,751
Culture and recreation		207,173
Public works		1,431,651
Internal Service Fund		145,081
Total depreciation expense - Governmental Activities	$	2,416,683
Business-Type activities		
Water and sewer	$	433,225
Drainage		358,092
Internal Service Fund		18,397
Total depreciation expense - Business-Type Activities	$	809,714

Construction in progress and remaining commitments under construction related construction contracts at September 30, 2018 are as follows:

Project Name	Remaining Commitment	Total In Progress
Governmental Activities:		
Water Tower	$ 77,799	$ 15,201
Capp Smith retaining wall project	7,420	45,580
Green Ribbon project	5,021	66,979
CDBG 44th Year	-	2,500
Whitley Road - phase three	80,653	156,708
Splashpad	16,337	24,663
Overlay 2017-2018	38,939	435,861
Total Governmental Activities	$ 226,169	$ 747,492
Business-Type Activities:		
Water and Sewer Projects	$ 368,015	$ 785,223
Total Business-Type Activities	$ 368,015	$ 785,223

NOTE 5 - LONG-TERM DEBT

During the fiscal year ended September 30, 2018, the City issued a Certificates of Obligation Series 2018 in amount of $6,780,000 with an interest rate of 2.00-5.00% and premiums in the amount of $306,169. The proceeds will be used for street and park improvement projects as well as capital equipment replacements.

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2018:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	$ 2,335,000	$ -	$ (730,000)	$ 1,605,000	$ 500,000
Certificates of obligation	13,195,000	6,780,000	(935,000)	19,040,000	1,380,000
Unamortized bond premium	308,685	306,169	(21,634)	593,220	-
Note payable	442,622	-	(62,935)	379,687	65,767
Compensated absences	2,262,480	293,859	(213,475)	2,342,864	87,496
Total governmental activities	18,543,787	7,380,028	(1,963,044)	23,960,771	2,033,263
Business-Type Activities					
Certificates of obligation	15,415,000	-	(760,000)	14,655,000	810,000
Unamortized bond premium	583,305	-	(36,560)	546,745	-
Compensated absences	370,519	27,988	(48,412)	350,095	38,906
Total Business-type Activities	16,368,824	27,988	(844,972)	15,551,840	848,906
Total government-wide activities	$ 34,912,611	$ 7,408,016	$ (2,808,016)	$ 39,512,611	$ 2,882,169

NOTE 5 - LONG-TERM DEBT (continued)

General Obligation Bonds and Certificates of Obligation

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

General obligations bonds and certificates of obligation payable at September 30, 2018, are comprised of the following individual issues:

	Governmental	Business-Type
$2,855,000 Series 2006 General Obligation Refunding Bonds due in annual installments of $20,000 to $330,000 through April 1, 2020; interest at 3.73%.	$ 650,000	$ -
$3,400,000 Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $65,000 to $255,000 through February 1, 2027; interest at 4.11%.	1,965,000	-
$2,145,000 Series 2013 General Obligation Refunding Bonds due in annual installments of $125,000 to $270,000 through February 1, 2023; interest at 2.25%.	955,000	-
$3,500,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $85,000 to $900,000 through February 1, 2034; interest at 1.00% to 3.50%.	3,100,000	-
$5,885,000 Series 2016 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $285,000 to $355,000 through February 1, 2036; interest at 2.00% to 4.00%.	5,325,000	-
$7,365,000 Series 2011 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $315,000 to $660,000 through February 1, 2026; interest at 2.00% to 4.00%.	1,870,000	1,715,000
$7,730,000 Series 2012 Certificates of Obligation due in annual installments of $290,000 to $510,000 through February 1, 2032; interest at 2.00% to 3.25%.	-	5,860,000
$7,325,000 Series 2017 Certificates of Obligation due in annual installments of $245,000 to $480,000 through February 1, 2037; interest at 3.00% to 5.00%.	-	7,080,000
$6,780,000 Series 2018 Certificates of Obligation due in annual installments of $245,000 to $480,000 through February 1, 2038; interest at 2.00% to 5.00%.	6,780,000	-
Total Bonds Payable	$ 20,645,000	$ 14,655,000

Notes payable at September 30, 2018, are comprised of the following individual issues:

	Governmental	Business-Type
Note payable to City of North Richland Hills annual installments of $19,785, including interest at 4.5%, maturing February 2021.	$ 54,391	$ -
Note payable to City of North Richland Hills annual installments of $63,068, including interest at 4.5%, maturing October 2024.	325,296	-
Total Notes Payable	379,687	-
Total Bonds and Notes Payable	$ 21,024,687	$ 14,655,000

NOTE 5 - LONG-TERM DEBT (continued)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each type of debt obligation for the years subsequent to September 30, 2018, are as follows:

General Obligation Bonds

	Governmental Activities		
	Principal	Interest	Total
2019	$ 500,000	$ 37,740	$ 537,740
2020	520,000	21,455	541,455
2021	200,000	10,913	210,913
2022	195,000	6,469	201,469
2023	190,000	2,138	192,138
	$ 1,605,000	$ 78,715	$ 1,683,715

Certificates of Obligation

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2019	$ 1,380,000	$ 577,332	$ 810,000	$ 442,750	$ 3,210,082
2020	1,430,000	556,850	835,000	418,925	3,240,775
2021	1,895,000	500,442	865,000	393,425	3,653,867
2022	1,780,000	438,097	885,000	367,175	3,470,272
2023	1,025,000	389,211	915,000	339,638	2,668,849
2024 - 2028	4,600,000	1,382,670	4,535,000	1,246,050	11,763,720
2029 - 2033	3,835,000	718,938	3,965,000	560,513	9,079,451
2034 - 2038	3,095,000	203,501	1,845,000	112,725	5,256,226
	$ 19,040,000	$ 4,767,041	$ 14,655,000	$ 3,881,201	$ 42,343,242

Notes Payable

	Governmental Activities		
	Principal	Interest	Total
2019	$ 65,767	$ 17,086	$ 82,853
2020	68,727	14,126	82,853
2021	71,819	10,764	82,583
2022	55,266	7,802	63,068
2023	57,753	5,315	63,068
2024	60,355	2,716	63,071
	$ 379,687	$ 57,809	$ 437,496

NOTE 5 - LONG-TERM DEBT (continued)

Prior Year Refunding of General Obligation and Sales Tax Bonds

In prior years, the City deferred certain outstanding bonds by placing proceeds of general obligation and sales tax refunding bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the City's financial statements. As of September 30, 2018, none of the defeased bonds remain outstanding.

NOTE 6 - INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds.

Interfund transfers:

Transfers In	Transfers Out	Amounts
General Fund	WPDC Sales Tax Fund	$ 36,443
General Fund	Storm Drain Utility	71,000
General Fund	WCCPD Fund	28,696
General Fund	Water and Sewer Operating Fund	426,961
PEG Fund	General Fund	12,770
Capital Projects Fund	General Fund	220,000
Equipment Replacement Fund	WCCPD Fund	368,000
Equipment Replacement Fund	Municipal Court Fund	20,000
Equipment Replacement Fund	Storm Drain Utility	46,000
Equipment Replacement Fund	General Fund	66,000
		$ 1,295,870

Transfers are primarily used to move funds to:

- General Fund from Watauga Parks Development Corporation ("WPDC") Sales Tax Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Storm Drain Utility Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Watauga Crime Control and Prevention District ("WPCCPD") Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.

- General Fund from Water and Sewer Operating Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services are also used by other funds.

- PEG Fund from General Fund was to establish PEG fees that were previously recorded in the General Fund.

- Capital Projects Fund from General Fund for capital improvement plans, specifically sidewalk reconstruction and engineering fees.

- The transfer to Equipment Replacement Fund were for the acquisition of various replacement capital needs in the City.

NOTE 7 - PENSION PLAN

The City of Watauga, Texas participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

A. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7.00%
Matching ration (city to employee)	2 to 1
Years required for vesting	5
Updated Service Credit	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

NOTE 7 - PENSION PLAN (continued)

A. Benefits Provided (continued)

Employees covered by benefit terms.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Number of	
Inactive employees or beneficiaries currently receiving benefits	95
Inactive employees entitled to but not yet receiving benefits	162
Active employees	157
Total	414

B. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.73 percent and 13.59 percent in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018 were $1,290,463, and were equal to the required contributions.

C. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

NOTE 7 - PENSION PLAN (continued)

C. Net Pension Liability (continued)

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

NOTE 7 - PENSION PLAN (continued)

C. Net Pension Liability (continued)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2016	$ 45,622,650	$ 39,092,347	$ 6,530,303
Changes for the year:			
Service cost	1,531,337	-	1,531,337
Interest (on the Total Pension Liability)	3,067,400	-	3,067,400
Difference between expected and actual experience	(100,072)	-	(100,072)
Chages of assumptions	-	-	-
Contributions - employer	-	1,259,752	(1,259,752)
Contributions - employee	-	642,263	(642,263)
Net investment income	-	5,418,502	(5,418,502)
Benefit payments, including refunds of employee contributions	(1,890,714)	-	(1,890,714)
	-	(1,890,714)	1,890,714
Administrative expense	-	(28,079)	28,079
Other	-	(1,423)	1,423
Balance at 12/31/2017	$ 48,230,601	$ 44,492,648	$ 3,737,953

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$11,269,719	$3,737,953	($2,343,432)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

NOTE 7 - PENSION PLAN (continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018 the city recognized pension expense of $1,029,073.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ -	$ 406,764
Difference in assumption changes	12,464	-
Difference in projected and actual earnings on pension plan investments.	1,043,982	2,223,815
Employer contributions made after the measurement date	913,726	-
Totals	$ 1,970,172	$ 2,630,579

$913,726 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2019	$ (209,720)
2020	(234,796)
2021	(573,665)
2022	(555,952)
Total	$ (1,574,133)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Plan

Benefit Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Membership in the plan as of the measurement date of December 31, 2017 was as follows:

Number of	
Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	25
Active employees	157
Total	244

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.17% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the TOL as of December 31, 2016 using a discount rate of 3.78%.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The City's Total OPEB Liability ("TOL") was measured at December 31, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
Retirement Age	benefits. Last updated for the 2015 valuation to an experience study for the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	
Notes	There were no benefit changes during the year.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2016	$ 381,917
Changes for the year:	
Service cost	20,185
Interest (on the Total OPEB Liability)	14,766
Difference between expected and actual experience	
Chages of assumptions	36,678
Benefit payments, including refunds of employee contributions	(2,753)
Balance at 12/31/2017	$ 450,793

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease	Current Single Rate Assumption	1% Increase
2.31%	3.31%	4.31%
$545,423	$450,793	$377,446

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2018, the City recognized OPEB expense of $41,330 relating to the SBFD plan.

As of September 30, 2018, the City reported deferred outflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources
Difference in assumption changes	$ 30,299
Employer contributions made after the measurement date	2,017
Totals	$ 32,316

The $2,017 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2019	$ 6,379
2020	6,379
2021	6,379
2022	6,379
2023	4,783
Total	$ 30,299

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

City of Watauga Retiree Health Care Plan

Plan description.

The City's defined benefit OPEB plan, City of Watauga Retiree Health Care Plan (WHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. WHCP is a single employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the WHCP.

Benefits provided.
WHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At September 30, 2018, the following employees were covered by the benefit terms:

Number of	
retirees and beneficiaries	6
inactive, nonretired members	0
Active members	140
Total	146

Total OPEB Liability
The City's total OPEB liability of $1,029,545 was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2017.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial assumptions and other inputs.
The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	December 31, 2017
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates	7.20% declining to an ultimate rate of 4.25% after 14 years
Participation Rates	35% of retirees between the ages of 50 and 64 at retirement;0% for retirees under age 50 at retirement

Discount Rate

Because the WHCP is unfunded or pay-as-you go, the discount rate is based on 20 year tax-exempt AA or higher Municipal Bonds or 3.31% as of the measurement date of December 31, 2017 based on the 20 Year Bond GO Index published by bondbuyer.com.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2016	$ 940,851
Changes for the year:	
Service cost	36,285
Interest (on the Total OPEB Liability)	35,912
Difference between expected and actual experience	
Chages of assumptions	49,341
Benefit payments	(32,844)
Balance at 12/31/2017	$ 1,029,545

Changes of assumptions reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease	Current Single Rate Assumption	1% Increase
2.31%	3.31%	4.31%
$1,137,469	$1,029,545	$933,614

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.
The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$917,987	$1,029,545	$1,162,964

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2018, the City recognized OPEB expense of $77,996. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 43,542	$ -
Employer contributions made after the measurement date	38,117	-
Totals	$ 81,659	$ -

City contributions made subsequent to the measurement date of the total OPEB liability (December 31, 2017) and prior to year-end (September 30, 2018) will be recognized in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2019	$ 5,799
2020	5,799
2021	5,799
2022	5,799
2023	5,799
Thereafter	14,547
Total	$ 43,542

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts such as: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Risk Pool) to provide general liability and property insurance and workers' compensation.

The City, along with other participating entities, contributes annual amounts determined by the Risk Pool. Contributions to the Risk Pool for workers' compensation are based on the City's payroll. As claims arise they are submitted to and paid by the Risk Pool.

The liability of the Texas Municipal League Intergovernmental Risk Pool is limited to a $2,000,000 annual aggregate for general liability, errors and omissions, and law enforcement. The automobile liability limit for the risk pool is $1,000,000 for each occurrence.

There have been no significant changes in insurance coverage as compared to last year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 - LITIGATION

Various claims and lawsuits are pending against the City of Watauga. In the opinion of the City's Legal Counsel and Management, the potential losses will not have a material effect on the City's financial statements.

NOTE 11 - OPERATING LEASE

The City is committed under various noncancelable operating leases, primarily for equipment (principally in the General Fund). Future minimum operating lease commitments are as follows:

2019-2020	$	33,738
	$	33,738

Lease and rental expenditures were $39,524 for the year ended September 30, 2018.

NOTE 12 - FUND BALANCE RESTRICTIONS

Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors are classified as restricted fund balance. A summary of restricted fund balance in the governmental funds at September 30, 2018, follows:

	G.O. Debt Service Funds	G.O. Capital Projects Fund	Non Major Governmental Funds
Capital acquisitions and contractual obligations	$ -	$ 10,534,260	$ 374,358
Debt service	710,903	-	-
Culture and recreation:			
Park improvements	-	-	832,531
Library purposes	-	-	36,694
	-	-	869,225
Public works:			
PEG Fees	-	-	18,403
Street maintenance	-	-	1,119,332
	-	-	1,137,735
Public safety:			
Law enforcement	-	-	1,189,712
Municipal court operations	-	-	229,184
	-	-	1,418,896
Total	$ 710,903	$ 10,534,260	$ 3,800,214

NOTE 13 - PRIOR PERIOD ADJUSTMENT

In the current fiscal year, the City implemented the following new accounting standards:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The following is the prior period adjustment related to GASB Statement No. 75:

	Governmental Activities	Business-type Activites	Water and Sewer	Drainage Utility
Net position - beginning of the year:				
As originally presented	$ 42,306,218	$ 28,747,776	$ 16,138,086	$ 12,427,431
Change in accounting principle for:				
Beginning net OPEB liability	(1,092,268)	(230,500)	(181,400)	(49,100)
Deferred Outflows - 2017 year pension contributions made after previous net pension liability measurement date	28,319	6,300	4,900	1,400
As restated	$ 41,242,269	$ 28,523,576	$ 15,961,586	$ 12,379,731

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATAUGA, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes and franchise fees	$ 9,274,936	$ 9,274,936	$ 9,092,461	$ (182,475)
Licenses and permits	404,000	404,000	726,796	322,796
Charges for services	750,500	750,500	757,088	6,588
Fines and forfeitures	745,700	745,700	436,262	(309,438)
Interest income	31,100	31,100	80,990	49,890
Intergovernmental	501,000	501,000	497,961	(3,039)
Miscellaneous	249,000	249,000	289,824	40,824
Total Revenues	11,956,236	11,956,236	11,881,382	(74,854)
Expenditures				
Current:				
Administration	288,000	260,590	263,735	(3,145)
Non-departmental	1,438,300	1,418,300	1,327,831	90,469
Human resources	164,000	164,000	162,813	1,187
Finance	458,450	458,450	440,796	17,654
MIS	348,850	348,850	329,036	19,814
Municipal Court	415,650	415,650	404,960	10,690
Library	965,200	965,200	935,245	29,955
Recreation and community services	671,000	718,410	715,493	2,917
Police	3,396,450	3,434,744	3,297,446	137,298
Fire/EMS	2,391,650	2,391,650	2,349,115	42,535
Public works	1,194,200	1,155,906	919,247	236,659
Fleet maintenance	187,100	187,100	181,750	5,350
Buildings	812,530	812,530	778,641	33,889
Total Expenditures	12,731,380	12,731,380	12,106,108	625,272
Excess (deficiency) of revenues over expenditures	(775,144)	(775,144)	(224,726)	550,418
Other Financing Sources (Uses)				
Transfers in	567,000	567,000	563,100	(3,900)
Transfers out	(286,000)	(298,770)	(298,770)	-
Total other financing sources and uses	281,000	268,230	264,330	(3,900)
Net change in fund balances	(494,144)	(506,914)	39,604	546,518
Fund balance, beginning of year	4,531,955	4,531,955	4,531,955	-
Fund balance, end of year	$ 4,037,811	$ 4,025,041	$ 4,571,559	$ 546,518

CITY OF WATAUGA, TEXAS
NOTES TO REQUIRED SUPPLEMENTARTY BUDGET INFORMATION
Year Ended September 30, 2018

BUDGETARY CONTROLS AND PROCEDURES

The City Charter follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.

- The proposed budget and all supporting schedules are filed with the City Secretary when submitted to City Council.

- Public hearings are conducted to obtain taxpayer comments.

- Prior to September 15, the budget is adopted by affirmative vote of at least two thirds of the members of the City Council.

- The City Manager is authorized to transfer budgeted amounts between programs within a department; however, any revisions that alter the total expenditures of any department must be approved by the City Council.

- If at any time during a fiscal year, it is estimated by the City Manager that current year's expenditures in any fund will exceed available revenues (including fund balance at the start of the year), the City Manager shall recommend measures to the City Council to ensure that a positive fund balance is maintained.

- Budgets for the General, Special Revenue, Debt Service and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as amended by the City Council. Such appropriations lapse at year-end.

- Budgetary data for the Capital Projects Fund and the WPDC Construction Fund have not been presented in the accompanying financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Fund and the WPDC Construction Fund are employed and comparison of actual results of operations to budgetary data for such funds are not presented.

- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Enterprise Funds. Budgetary control is maintained at the departmental level.

- Budgetary data for the Enterprise Funds has not been presented since the reporting on such budgets is not legally required. Budgetary control is maintained at the departmental level.

- The City's expenditures exceeded appropriations in the Administration category by $3,145.

CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Four Measurement Years

	2017	2016	2015	2014
Total pension liability:				
Service cost	$ 1,531,337	$ 1,513,714	$ 1,484,819	$ 1,278,209
Interest	3,067,400	2,907,277	2,804,072	2,632,122
Difference between expected and actual experience	(100,072)	(570,355)	(273,667)	(422,782)
Change in assumptions	-	-	60,403	-
Benefit payments, including refunds of employee contributions	(1,890,714)	(1,083,810)	(1,071,136)	(1,197,706)
Net change in total pension liability	2,607,951	2,766,826	3,004,491	2,289,843
Total pension liability - beginning	45,622,650	42,855,824	39,851,333	37,561,490
Total pension liability - ending (a)	$ 48,230,601	$ 45,622,650	$ 42,855,824	$ 39,851,333
Plan fiduciary net position:				
Contributions - employer	$ 1,259,752	$ 1,197,145	$ 1,245,119	$ 1,115,845
Contributions - employee	642,263	636,779	652,873	609,276
Net investment income	5,418,502	2,428,960	51,790	1,871,755
Benefit payments, including refunds of employee contributions	(1,890,714)	(1,083,810)	(1,071,136)	(1,197,706)
Administrative expense	(28,079)	(27,433)	(31,544)	(19,541)
Other	(1,423)	(1,478)	(1,558)	(1,607)
Net change in plan fiduciary net position	5,400,301	3,150,163	845,544	2,378,022
Plan fiduciary net position - beginning	39,092,347	35,942,184	35,096,640	32,718,618
Plan fiduciary net position - ending (b)	$ 44,492,648	$ 39,092,347	$ 35,942,184	$ 35,096,640
Net pension liability - ending (a) - (b)	$ 3,737,953	$ 6,530,303	$ 6,913,640	$ 4,754,693
Plan fiduciary net position as a percentage of total pension liability	92.25%	85.69%	83.87%	88.07%
Covered payroll	$ 9,175,179	$ 9,096,836	$ 9,326,755	$ 8,703,943
Net pension liability as a percentage of covered payroll	40.74%	71.79%	74.13%	54.63%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
Last Seven Fiscal Years

	Fiscal Year						
	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contributions	$1,274,565	$1,259,325	$1,194,583	$1,190,315	$1,108,798	$1,082,831	$1,129,470
Contributions in relation to the actuarially determined contribution	1,274,565	1,259,325	1,194,583	1,190,315	1,108,798	1,082,831	1,129,470
Contribution deficiency(excess)	-	-	-	-	-	-	-
Covered payroll	9,351,625	9,169,310	9,040,337	9,005,317	8,638,774	8,473,213	8,852,583
Contributions as a percentage of Covered payroll	13.63%	13.73%	13.21%	13.22%	12.84%	12.78%	12.76%

Notes: Actuarially determined contribution rates are calculated as of December 31st and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation to an experience study for the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	
Notes	There were no benefit changes during the year.

CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Measurement Year

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT PLAN

	2017
Total OPEB liability:	
Service cost	$ 20,185
Interest	14,766
Change in assumptions	36,678
Benefit payments, including refunds of employee contributions	(2,753)
Net change in total OPEB liability	68,876
Total OPEB liability - beginning	381,917
Total OPEB liability - ending	$ 450,793
Covered payroll	$9,175,179
Total OPEB liability as a percentage of covered payroll	4.91%

CITY OF WATAUGA, TEXAS RETIREE HEALTH PLAN

	2017
Total OPEB liability:	
Service cost	$ 36,285
Interest	35,912
Change in assumptions	49,341
Benefit payments, including refunds of employee contributions	(32,844)
Net change in total OPEB liability	88,694
Total OPEB liability - beginning	940,851
Total OPEB liability - ending	$ 1,029,545
Covered payroll	$9,013,440
Total OPEB liability as a percentage of covered payroll	11.42%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Watauga Parks Development Corporation Sales Tax Fund – to account for a quarter-cent sales tax increase, approved by voters, to build and improve City parks.

Watauga Crime Control and Prevention Fund – to account for a half-cent sales tax increase approved by the voters to enhance law enforcement in Watauga.

Library Donation Fund – to account for public donations made to the City specifically for the benefit of the public library.

Municipal Court Security Fund – to account for a fee established in the 1997 Texas Legislative session to allow a $3 assessment on all court fines paid. This assessment allows municipalities to purchase security equipment such as surveillance cameras, bulletproof glass and bailiff costs for Municipal Court areas.

Municipal Court Technology Fund – to account for a fee established in the 1997 Texas legislative session to allow a $4 assessment on all court fines paid. This assessment allows municipalities to purchase and maintain technology equipment such as computer hardware and software for the benefit of the Municipal Court.

Municipal Court Juvenile Case Manager Fund – to account for a fee established and approved by City Council January 28, 2008 to allow a $5 assessment per misdemeanor offense. Fees are paid out of this fund to pay personnel costs of the Municipal Court Juvenile Case Manager.

Traffic Safety Fund – to account for civil or administrative penalties to no more than $75 and late penalties to no more than $25. Legislation passed by 80th Texas Legislature allows a local government entity to use a photographic traffic signal enforcement system. One-half the net revenue from this fund is remitted to the Texas Comptroller for deposit into a Regional Trauma Account.

Street Maintenance Sales Tax Fund – to account for a quarter-cent sales tax approved by voters on May 12, 2012 for an initial four years effective October 1, 2012, and reauthorized in May 2016. The purpose of the sales tax is to provide for the maintenance and repair of municipal streets in existence at the time of the vote.

PEG Fund – to account for the expenditures for Public, Educational, and Government (PEG) Access programming is supported by the PEG fee that is assessed to each cable subscriber.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Watauga Parks Development Corporation Construction Fund – to account for construction projects in for the Parks Development Corporation.

CITY OF WATAUGA, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
September 30, 2018

	WPDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund
ASSETS					
Cash and cash equivalents	$ 347,289	$ 192,744	$ 17,523	$ 1,029	$ 70,842
Investments	369,636	345,221	18,942	-	38,785
Accounts receivable	127,844	247,919	252	-	247
Prepaids and deposits	4,675	5,590	-	-	-
Total assets	$ 849,444	$ 791,474	$ 36,717	$ 1,029	$ 109,874
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,314	$ 10,778	$ -	$ -	$ -
Accrued liabilities	10,924	53,784	23	851	-
Total liabilities	12,238	64,562	23	851	-
FUND BALANCES					
Non-spendable					
Prepaid items	4,675	5,590	-	-	-
Restricted					
Capital acquisitions and contractual obligations	-	-	-	-	-
Debt service	-	-	-	-	-
Culture and recreation	832,531	-	36,694	-	-
Public works	-	-	-	-	-
Public safety	-	721,322	-	178	109,874
Total Fund Balances	837,206	726,912	36,694	178	109,874
Total Liabilities and Fund Balances	$ 849,444	$ 791,474	$ 36,717	$ 1,029	$ 109,874

Municipal Court Juvenile Case Manager Fund	Traffic Safety Fund	Street Maintenance Sales Tax Fund	PEG Fund	WPDC Construction Fund	Total Non major Governmental Funds
$ 84,739	$ 877,276	$ 538,447	$ 25,088	$ 288,370	$ 2,443,347
34,878	-	626,616	-	85,444	1,519,522
222	-	129,218	-	544	506,246
-	-	-	-	-	10,265
$ 119,839	$ 877,276	$ 1,294,281	$ 25,088	$ 374,358	$ 4,479,380
$ -	$ 397,954	$ 174,949	$ 6,685	$ -	$ 591,680
707	10,932	-	-	-	77,221
707	408,886	174,949	6,685	-	668,901
-	-	-	-	-	10,265
-	-	-	-	374,358	374,358
-	-	-	-	-	-
-	-	-	-	-	869,225
-	-	1,119,332	18,403	-	1,137,735
119,132	468,390	-	-	-	1,418,896
119,132	468,390	1,119,332	18,403	374,358	3,810,479
$ 119,839	$ 877,276	$ 1,294,281	$ 25,088	$ 374,358	$ 4,479,380

CITY OF WATAUGA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2018

	WPDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund
Revenues					
Taxes	$ 729,841	$ 1,434,679	$ -	$ -	$ -
Fines and forfeitures	-	-	-	-	-
Interest income	12,824	17,855	589	-	1,657
Miscellaneous	-	1	6,617	7,080	9,450
Total revenues	742,665	1,452,535	7,206	7,080	11,107
Expenditures					
Current:					
Public safety	-	1,533,250	-	21,019	7,465
Culture and recreation	675,636	-	3,647	-	-
Public works	-	-	-	-	-
Capital outlay	6,200	28,807	-	-	-
Total Expenditures	681,836	1,562,057	3,647	21,019	7,465
Excess (deficiency) of revenues over expenditures	60,829	(109,522)	3,559	(13,939)	3,642
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(36,443)	(396,696)	-	-	(20,000)
Total other financing sources (uses)	(36,443)	(396,696)	-	-	(20,000)
Net change in fund balances	24,386	(506,218)	3,559	(13,939)	(16,358)
Fund balances - beginning	812,820	1,233,130	33,135	14,117	126,232
Fund balances - ending	$ 837,206	$ 726,912	$ 36,694	$ 178	$ 109,874

Municipal Court Juvenile Case Manager Fund	Traffic Safety Fund	Street Maintenance Sales Tax Fund	PEG Fund	WPDC Construction Fund	Total Non major Governmental Funds
$ -	$ -	$ 721,630	$ -	$ -	$ 2,886,150
-	970,089	-	-	-	970,089
1,695	1,329	18,827	13	5,060	59,849
11,771	-	-	12,305	-	47,224
13,466	971,418	740,457	12,318	5,060	3,963,312
21,137	773,945	-	6,685	-	2,363,501
-	-	-	-	-	679,283
-	-	89,842	-	-	89,842
-	-	615,673	-	61,092	711,772
21,137	773,945	705,515	6,685	61,092	3,844,398
(7,671)	197,473	34,942	5,633	(56,032)	118,914
-	-	-	12,770	-	12,770
-	-	-	-	-	(453,139)
-	-	-	12,770	-	(440,369)
(7,671)	197,473	34,942	18,403	(56,032)	(321,455)
126,803	270,917	1,084,390	-	430,390	4,131,934
$ 119,132	$ 468,390	$ 1,119,332	$ 18,403	$ 374,358	$ 3,810,479

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WPDC SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Taxes	$ 735,000	$ 729,841	$ (5,159)
Interest income	1,000	12,824	11,824
Total Revenues	736,000	742,665	6,665
Expenditures			
Current:			
Culture and recreation	714,850	675,636	39,214
Capital Outlay	6,000	6,200	(200)
Total Expenditures	720,850	681,836	39,014
Excess (deficiency) of revenues over expenditures	15,150	60,829	45,679
Other financing sources (uses)			
Transfers out	(37,000)	(36,443)	557
Total other financing sources (uses)	(37,000)	(36,443)	557
Net change in fund balances	(21,850)	24,386	46,236
Fund balances, beginning of year	812,820	812,820	-
Fund balances, end of year	$ 790,970	$ 837,206	$ 46,236

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WATAUGA CRIME CONTROL AND PREVENTION SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Taxes	$ 1,450,000	$ 1,434,679	$ (15,321)
Interest income	3,500	17,855	14,355
Miscellaneous	48,000	1	(47,999)
Total revenues	1,501,500	1,452,535	(48,965)
Expenditures			
Current:			
Public safety	1,629,428	1,533,250	96,178
Capital Outlay	39,358	28,807	10,551
Total expenditures	1,668,786	1,562,057	106,729
Excess (deficiency) of revenues over expenditures	(167,286)	(109,522)	57,764
Other financing sources (uses)			
Transfers out	(397,000)	(396,696)	(304)
Total other financing sources (uses)	(397,000)	(396,696)	(304)
Net change in fund balances	(564,286)	(506,218)	58,068
Fund balances, beginning of year	1,233,130	1,233,130	-
Fund balances, end of year	$ 668,844	$ 726,912	$ 58,068

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LIBRARY DONATION SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 50	$ 589	$ 539
Miscellaneous	6,000	6,617	617
Total Revenues	6,050	7,206	1,156
Expenditures			
Current:			
Culture and recreation	5,880	3,647	2,233
Total expenditures	5,880	3,647	2,233
Net change in fund balances	170	3,559	3,389
Fund balances, beginning of year	33,135	33,135	-
Fund balances, end of year	$ 33,305	$ 36,694	$ 3,389

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 50	$ -	$ (50)
Miscellaneous	15,000	7,080	(7,920)
Total Revenues	15,050	7,080	(7,970)
Expenditures			
Current:			
Public safety	22,600	21,019	1,581
Total Expenditures	22,600	21,019	1,581
Excess (deficiency) of revenues over expenditures	(7,550)	(13,939)	(6,389)
Net change in fund balances	(7,550)	(13,939)	(6,389)
Fund balances, beginning of year	14,117	14,117	-
Fund balances, end of year	$ 6,567	$ 178	$ (6,389)

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 300	$ 1,657	$ 1,357
Miscellaneous	19,000	9,450	(9,550)
Total revenues	19,300	11,107	(8,193)
Expenditures			
Current:			
Public safety	14,300	7,465	6,835
Total expenditures	14,300	7,465	6,835
Excess (deficiency) of revenues over expenditures	5,000	3,642	(1,358)
Other Financing Sources (Uses)			
Operating Transfers (Out)	(20,000)	(20,000)	-
Net change in fund balances	(15,000)	(16,358)	(1,358)
Fund balances, beginning of year	126,232	126,232	-
Fund balances, end of year	$ 111,232	$ 109,874	$ (1,358)

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT JUVENILE CASE MANAGER SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ 200	$ 1,695	$ 1,495
Miscellaneous	25,000	11,771	(13,229)
Total Revenues	25,200	13,466	(11,734)
Expenditures			
Current:			
Public safety	32,500	21,137	11,363
Total expenditures	32,500	21,137	11,363
Net change in fund balances	(7,300)	(7,671)	(371)
Fund balances, beginning of year	126,803	126,803	-
Fund balances at year end	$ 119,503	$ 119,132	$ (371)

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Fines and forfeits	$ 800,000	$ 970,089	$ 170,089
Interest income	-	1,329	1,329
Total Revenues	800,000	971,418	171,418
Expenditures			
Current:			
Public safety	818,760	773,945	44,815
Total expenditures	818,760	773,945	44,815
Net change in fund balances	(18,760)	197,473	216,233
Fund balances, beginning of year	270,917	270,917	-
Fund balances at year end	$ 252,157	$ 468,390	$ 216,233

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STREET MAINTENANCE SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Sales taxes	$ 723,000	$ 721,630	$ (1,370)
Interest income	1,000	18,827	17,827
Total revenues	724,000	740,457	16,457
Expenditures			
Public works	110,000	89,842	20,158
Capital outlay	720,000	615,673	104,327
Total expenditures	830,000	705,515	124,485
Net change in fund balances	(106,000)	34,942	140,942
Fund balances, beginning of year	1,084,390	1,084,390	-
Fund balances at year end	$ 978,390	$ 1,119,332	$ 140,942

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PEG SPECIAL REVENUE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Interest income	$ -	$ 13	$ 13
Miscellaneous	-	12,305	12,305
Total revenues	-	12,318	12,318
Expenditures			
Current:			
Public safety	7,000	6,685	315
Total expenditures	7,000	6,685	315
Excess (deficiency) of revenues over expenditures	(7,000)	5,633	12,633
Other Financing Sources (Uses)			
Operating Transfers In	12,770	12,770	-
Net change in fund balances	5,770	18,403	12,633
Fund balances, beginning of year	-	-	-
Fund balances, end of year	$ 5,770	$ 18,403	$ 12,633

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL OBLIGATION DEBT SERVICE FUND
Year Ended September 30, 2018

	Budget Amounts Final Budget	Actual Amounts	Variance Positive / (Negative)
Revenues			
Taxes			
Property taxes	$ 2,114,000	$ 2,246,575	$ 132,575
Penalties and interest	10,000	10,746	746
Interest income	800	12,617	11,817
Total revenues	2,124,800	2,269,938	145,138
Expenditures			
Debt service			
Principal	1,665,000	1,665,000	-
Interest	431,438	431,111	327
Total expenditures	2,096,438	2,096,111	327
Net change in fund balances	28,362	173,827	145,465
Fund balances, beginning of year	537,076	537,076	-
Fund balances at year end	$ 565,438	$ 710,903	$ 145,465

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STATISTICAL SECTION
(Unaudited)

STATISTICAL SECTION

This part of the City of Watauga's Comprehensive Annual Financial Report provides detailed information to help the reader better understand information presented within the financial statements, note disclosures, and required supplementary information and how they relate to the City's overall financial health.

Financial Trends Contains trend information to aid the reader in understanding how the City's financial performance has changed over time.	(Tables 1-4)
Revenue Capacity Contains information to help the reader assess the City's most significant local revenue sources, the property tax and water revenues.	(Tables 5-10)
Debt Capacity Presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	(Tables 11-14)
Demographic and Economic Information Offers information to help the reader understand the environment within which the City's financial activities take place.	(Tables 15-16)
Operating Information Contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.	(Tables 17-19)

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF WATAUGA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	$ 30,732,214	$ 32,581,629	$ 32,223,143	$ 34,487,229	$ 36,189,453	$ 36,422,084	$ 36,792,569	$ 36,945,402	$ 37,278,290	$ 38,660,904
Restricted	2,627,994	2,922,789	5,172,892	4,065,171	3,434,419	3,627,883	3,488,244	3,833,368	4,620,450	4,457,373
Unrestricted	6,343,363	5,712,161	4,841,861	3,944,350	3,550,813	3,901,351	1,320,284	845,314	407,478	(371,133)
Total governmental activities net position	$ 39,703,571	$ 41,216,579	$ 42,237,896	$ 42,496,750	$ 43,174,685	$ 43,951,318	$ 41,601,097	$ 41,624,084	$ 42,306,218	$ 42,747,144
Business-type activities										
Net investment in capital assets	$ 16,389,484	$ 17,035,479	$ 13,630,412	$ 19,182,389	$ 19,337,856	$ 20,531,108	$ 21,545,419	$ 24,344,617	$ 24,042,159	$ 23,944,294
Restricted	32,326	36,788	38,565	58,469	71,731	87,591	18,283	-	-	-
Unrestricted	5,072,765	4,383,221	8,059,411	4,053,800	5,337,852	5,506,717	4,493,409	3,139,921	4,705,617	6,210,337
Total business-type activities net position	$ 21,494,575	$ 21,455,488	$ 21,728,388	$ 23,294,658	$ 24,747,439	$ 26,125,416	$ 26,057,111	$ 27,484,538	$ 28,747,776	$ 30,154,631
Primary government										
Net investment in capital assets	$ 47,121,698	$ 49,617,108	$ 45,853,555	$ 53,669,618	$ 55,527,309	$ 56,953,192	$ 58,337,988	$ 61,290,019	$ 61,320,449	$ 62,605,198
Restricted	2,660,320	2,959,577	5,211,457	4,123,640	3,506,150	3,715,474	3,506,527	3,833,368	4,620,450	4,457,373
Unrestricted	11,416,128	10,095,382	12,901,272	7,998,150	8,888,665	9,408,068	5,813,693	3,985,235	5,113,095	5,839,204
Total primary government net position	$ 61,198,146	$ 62,672,067	$ 63,966,284	$ 65,791,408	$ 67,922,124	$ 70,076,734	$ 67,658,208	$ 69,108,622	$ 71,053,994	$ 72,901,775

Source: Comprehensive Annual Financial Reports

(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.

Table 2

CITY OF WATAUGA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	$ 4,821,004	$ 5,051,415	$ 5,631,743	$ 6,334,463	$ 5,965,810	$ 5,946,991	$ 5,978,427	$ 6,199,213	$ 3,522,986	$ 5,584,813
Public Safety	4,209,793	4,431,774	4,754,148	4,678,418	5,135,677	5,121,732	5,436,979	6,038,193	5,845,630	5,808,608
Public Works	1,993,867	2,136,811	2,008,511	1,771,771	1,473,221	1,980,003	1,323,932	987,456	2,472,838	769,758
Culture and recreation	2,108,473	1,648,292	2,372,064	2,467,403	2,372,941	2,411,179	3,073,296	3,719,332	5,095,575	4,720,179
Interest on long-term debt	679,483	560,285	471,940	755,827	496,694	364,167	385,505	282,586	411,910	381,932
Total governmental activities expenses	13,812,620	13,828,577	15,238,406	16,007,882	15,444,343	15,824,072	16,198,139	17,226,780	17,348,939	17,265,290
Business-type activities:										
Water and Sewer	5,886,812	6,260,844	6,199,136	6,458,485	6,502,520	6,416,253	7,228,169	7,300,779	6,979,614	6,707,331
Drainage Utility	901,079	843,690	914,987	1,080,620	1,152,248	1,087,378	946,494	932,806	978,469	1,015,534
Total business-type activities expenses	6,787,891	7,104,534	7,114,123	7,539,105	7,654,768	7,503,631	8,174,663	8,233,585	7,958,083	7,722,865
Total primary government expenses	$ 20,600,511	$ 20,933,111	$ 22,352,529	$ 23,546,987	$ 23,099,111	$ 23,327,703	$ 24,372,802	$ 25,460,365	$ 25,307,022	$ 24,988,155
Program Revenues										
Governmental activities:										
Fees, Fines, and Charges for services:										
General Government	$ 102,044	$ 212,514	$ 320,960	$ 90,425	$ 133,938	$ 125,385	$ 123,006	$ 131,200	$ 126,955	$ 177,819
Public Safety	1,323,097	1,330,535	1,772,981	1,994,440	1,660,967	1,852,051	1,799,906	2,015,413	1,998,687	1,819,361
Public Works	434,925	214,136	244,236	456,805	430,403	489,628	468,706	634,100	612,106	909,678
Culture and recreation	220,824	390,920	442,579	233,136	254,023	273,498	272,611	274,796	261,019	252,208
Operating grants and contributions	64,747	62,761	20,646	16,909	20,088	16,438	13,959	35,537	16,111	38,350
Capital grants and contributions	-	161,482	168,941	-	209,350	-	-	-	-	-
Total governmental activities program revenues	2,145,637	2,372,348	2,970,343	2,791,715	2,708,769	2,757,000	2,678,188	3,091,046	3,014,878	3,197,416
Business-type activities:										
Charges for services:										
Water and Sewer	6,710,552	6,683,362	7,040,653	8,221,767	8,159,949	7,894,765	7,877,686	8,660,723	8,206,963	8,223,078
Drainage Utility	698,711	700,295	702,665	1,296,024	1,413,708	1,416,053	1,419,324	1,410,213	1,419,460	1,451,829
Capital grants and contributions	-	-	-	-	-	16	-	-	-	-
Total business-type activities program revenues	7,409,263	7,383,657	7,743,318	9,517,791	9,573,657	9,310,834	9,297,010	10,070,936	9,626,423	9,674,907
Total primary government program revenues	$ 9,554,900	$ 9,756,005	$ 10,713,661	$ 12,309,506	$ 12,282,426	$ 12,067,834	$ 11,975,198	$ 13,161,982	$ 12,641,301	$ 12,872,323

Table 2
(continued)

CITY OF WATAUGA
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	$ (11,666,983)	$ (11,456,229)	$ (12,268,063)	$ (13,216,167)	$ (12,735,574)	$ (13,067,072)	$ (13,519,951)	$ (14,135,734)	$ (14,334,061)	$ (14,067,874)
Business-type activities	621,372	279,123	629,195	1,978,686	1,918,889	1,807,203	1,122,347	1,837,351	1,668,340	1,952,042
Total primary government net expense	$ (11,045,611)	$ (11,177,106)	$ (11,638,868)	$ (11,237,481)	$ (10,816,685)	$ (11,259,869)	$ (12,397,604)	$ (12,298,383)	$ (12,665,721)	$ (12,115,832)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 5,999,752	$ 5,947,914	$ 5,627,282	$ 5,689,606	$ 5,627,201	$ 5,677,248	$ 5,943,336	$ 6,246,764	$ 7,022,618	$ 7,430,079
Franchise taxes	1,033,043	1,039,844	1,216,628	1,090,651	1,065,054	1,125,164	1,184,339	1,114,190	1,003,842	925,895
Sales taxes	4,951,896	5,144,963	5,626,261	5,685,949	5,675,542	6,008,050	6,284,432	5,868,069	5,814,302	5,850,480
Penalties and Interest	44,683	44,805	40,246	39,239	33,006	32,724	42,000	32,295	39,561	35,044
Payments in lieu of taxes	371,890	360,928	370,075	460,537	471,721	469,219	458,232	370,897	457,222	497,961
Investment earnings	280,729	69,855	38,733	32,675	25,392	10,763	29,030	68,650	152,516	280,383
Gain on Sale of Assets	(6,747)	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	15,828	43,872	51,317	26,435	3,960	9,439	8,946
Transfers	34,662	360,928	370,155	460,537	471,721	469,219	578,070	453,897	516,695	543,961
Total governmental activities	12,709,908	12,969,237	13,289,380	13,475,022	13,413,509	13,843,704	14,545,874	14,158,722	15,016,195	15,572,749
Business-type activities:										
Investment earnings	110,910	24,115	13,860	8,256	5,613	3,384	21,017	43,863	103,443	222,974
Miscellaneous revenue	-	-	-	39,865	-	36,608	5,008	110	8,150	-
Transfers	(34,662)	(360,928)	(370,155)	(460,537)	(471,721)	(469,219)	(578,070)	(453,897)	(516,695)	(543,961)
Total business-type activities	76,248	(336,813)	(356,295)	(412,416)	(466,108)	(429,227)	(552,045)	(409,924)	(405,102)	(320,987)
Total primary government	$ 12,786,156	$ 12,632,424	$ 12,933,085	$ 13,062,606	$ 12,947,401	$ 13,414,477	$ 13,993,829	$ 13,748,798	$ 14,611,093	$ 15,251,762
Change in Net Position										
Governmental activities	$ 1,042,925	$ 1,513,008	$ 1,021,317	$ 258,855	$ 677,935	$ 776,632	$ 1,025,923	$ 22,988	$ 682,134	$ 1,504,875
Business-type activities	697,620	(57,690)	272,900	1,566,270	1,452,781	1,377,976	570,302	1,427,427	1,263,238	1,631,055
Total primary government	$ 1,740,545	$ 1,455,318	$ 1,294,217	$ 1,825,125	$ 2,130,716	$ 2,154,608	$ 1,596,225	$ 1,450,415	$ 1,945,372	$ 3,135,930

Source: Comprehensive Annual Financial Reports

(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.

Table 3

CITY OF WATAUGA
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2009	2010	2011**	2012	2013	2014	2015	2016	2017	2018
General Fund										
Non-spendable										
Inventories			$ 19,280	$ 30,009	$ 16,182	$ 16,095	$ 17,389	$ 17,636	$ 20,440	$ 21,487
Prepaid			-	1,060	8,602	106,545	91,173	184,729	20,491	8,651
Assigned										
Other purposes			37,698	30,512	-	-	-	-	-	-
Unassigned			6,136,979	5,584,021	5,516,922	5,914,070	5,734,435	5,274,387	4,490,902	4,541,421
Total general fund**			$ 6,193,957	$ 5,645,602	$ 5,541,706	$ 6,036,710	$ 5,842,997	$ 5,476,752	$ 4,531,833	$ 4,571,559
Reserved*	$ -	$ 27,870	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	6,690,658	6,339,861	-	-	-	-	-	-	-	-
Total general fund	$ 6,690,658	$ 6,367,731	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
All Other Governmental Funds										
Non-spendable										
Prepaid items			$ 789,450	$ -	$ -	$ 7,770	$ 26,021	$ 6,766	$ 7,198	$ 10,265
Restricted										
Capital acquisitions and contractual obligations			5,179,695	2,976,396	2,356,746	5,239,060	4,076,280	8,578,094	5,919,345	10,908,618
Debt service			444,941	469,446	485,087	540,837	342,274	397,992	539,900	710,903
Culture and recreation			1,979,061	1,933,581	914,222	742,157	695,139	751,871	838,576	869,225
Public Works			-	-	210,288	421,174	654,858	818,069	1,084,390	1,137,735
Public Safety			2,034,849	1,222,484	1,345,927	1,389,689	1,500,796	1,493,577	1,768,676	1,418,896
Total all other governmental funds			$ 10,427,996	$ 6,601,907	$ 5,312,270	$ 8,340,687	$ 7,295,368	$ 12,046,369	$ 10,158,085	$ 15,055,642
Reserved	$ 684,739	$ 574,998	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	2,627,994	2,922,789	-	-	-	-	-	-	-	-
Capital projects funds	3,862,015	4,006,543	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 7,174,748	$ 7,504,330	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Note: *Includes encumbrances and prepaid items
** Beginning 2011, fund balances are reported using GASB 54 classifications
Source: Comprehensive Annual Financial Reports

Table 4

CITY OF WATAUGA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes and franchise fees	$ 12,014,774	$ 12,189,384	$ 12,523,295	$ 12,464,130	$ 12,407,885	$ 12,822,665	$ 13,471,718	$ 13,263,260	$ 13,867,337	$ 14,235,932
Licenses and permits	257,159	218,013	262,778	270,716	250,579	309,592	285,258	454,991	428,530	726,796
Charges for services	646,535	699,238	680,564	664,507	625,613	777,747	748,687	741,565	745,127	757,088
Fines and forfeitures	701,608	884,038	1,439,291	1,593,653	1,351,756	1,396,063	1,298,897	1,563,928	1,522,589	1,406,351
Interest income	280,729	69,855	37,640	32,208	24,871	10,252	26,987	59,651	139,237	247,840
Intergovernmental	371,890	360,928	370,075	460,537	471,721	469,219	458,232	370,897	457,222	497,961
Miscellaneous	292,247	544,859	648,553	262,839	511,617	306,504	320,016	364,976	314,273	337,048
Total revenues	14,564,942	14,966,315	15,962,196	15,748,590	15,644,042	16,092,042	16,609,795	16,819,268	17,474,315	18,209,016
Expenditures										
General government	4,606,396	4,822,147	5,529,085	5,864,502	5,420,278	5,377,270	5,728,240	5,760,512	5,870,276	6,233,602
Public Safety	3,949,284	4,096,391	4,478,774	4,889,939	4,684,746	4,964,649	5,071,414	5,464,615	5,750,992	5,660,947
Culture and recreation	1,977,466	1,986,185	2,080,067	2,189,744	2,092,790	2,029,768	1,992,632	2,041,848	2,114,393	2,309,572
Public Works	744,743	741,395	776,906	876,295	910,769	889,230	1,016,998	1,102,216	1,165,026	1,034,613

CITY OF WATAUGA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Capital outlay	$ 2,753,788	$ 1,594,427	$ 3,935,880	$ 4,154,050	$ 2,414,949	$ 1,231,682	$ 1,771,807	$ 2,203,694	$ 3,419,723	$ 2,897,996
Debt service										
Interest	608,335	550,788	591,733	558,491	529,045	484,055	428,072	471,377	474,609	1,727,935
Principal	1,477,349	1,529,255	1,540,000	2,066,378	1,515,502	1,587,774	1,850,150	1,447,632	1,695,225	537,198
Total expenditures	16,117,361	15,320,588	18,932,445	20,599,399	17,568,079	16,564,428	17,859,313	18,491,894	20,490,244	20,401,863
Excess of revenues over (under) expenditures	(1,552,419)	(354,273)	(2,970,249)	(4,850,809)	(1,924,037)	(472,386)	(1,249,518)	(1,672,626)	(3,015,929)	(2,192,847)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	5,284,887	-	-	3,594,057	-	5,885,000	-	6,780,000
Proceeds from refunding	-	-	1,020,000	-	2,145,000	-	-	-	-	-
Payments to escrow agent	-	-	(1,002,832)	-	(2,099,293)	-	-	-	-	-
Premiums on general obligation debt	-	-		-	-	-	-	193,580	-	306,169
Sale of Asset	-	-	47,931	15,828	13,076	222,531	25,416	55,785	16,031	-
Transfers in	664,172	2,375,290	1,135,495	2,003,017	1,870,557	845,519	990,970	696,379	892,793	795,870
Transfers out	(629,510)	(2,014,362)	(765,340)	(1,542,480)	(1,398,836)	(576,300)	(1,095,900)	(773,362)	(726,098)	(751,909)
Total other financing sources (uses)	34,662	360,928	5,720,141	476,365	530,504	4,085,807	(79,514)	6,057,382	182,726	7,130,130
Net change in fund balances	$ (1,517,757)	$ 6,655	$ 2,749,892	$ (4,374,444)	$ (1,393,533)	$ 3,613,421	$ (1,329,032)	$ 4,384,756	$ (2,833,203)	$ 4,937,283
Debt service as a percentage of noncapital expenditures	15.6%	15.2%	14.2%	16.0%	13.5%	13.5%	14.2%	11.8%	12.7%	11.1%

Source: Comprehensive Annual Financial Reports

Additional to capital assets - per reconciliation

Table 5

CITY OF WATAUGA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Market Value: Real Property	Estimated Market Value: Personal Property	Estimated Market Value: Total Market Value	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate
2009	$ 1,049,378,376	$ 62,631,471	$ 1,112,009,847	$ 84,725,733	$ 1,027,284,114	$ 0.580763
2010	1,039,914,283	59,970,228	1,099,884,511	92,105,295	1,007,779,216	0.580763
2011	1,009,121,712	58,195,469	1,067,317,181	95,532,598	971,784,583	0.580763
2012	999,533,945	62,820,983	1,062,354,928	98,182,457	964,172,471	0.589001
2013	1,000,809,690	59,216,606	1,060,026,296	100,655,583	959,370,713	0.591216
2014	1,000,519,629	59,016,802	1,059,536,431	103,068,099	956,468,332	0.591216
2015	1,061,590,252	60,822,613	1,122,412,865	105,745,517	1,016,667,348	0.591216
2016	1,026,885,318	62,537,180	1,089,422,498	108,372,567	981,049,931	0.618718
2017	1,257,351,904	62,026,022	1,319,377,926	111,483,084	1,207,894,842	0.061841
2018	1,377,112,361	68,791,738	1,445,904,099	128,331,870	1,317,572,229	0.601788

Source: Tarrant Appraisal District (www.tad.org)

[a] Assessed value taken from original certified tax roll provided by the Tarrant Appraisal District

Table 6

City of Watauga
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)
(Unaudited)

	City Direct Rates			Overlapping Rates [a]						
Fiscal Year	M&O Rate	General Obligation Debt Service	Total Direct	Keller Ind School District	Birdville Ind School District	Tarrant County	Tarrant County Hospital	Tarrant County College	Combined Rates KISD	Combined Rates BISD
2009	$ 0.399918	$ 0.180845	$ 0.580763	$ 1.416900	$ 1.410000	$ 0.264000	$ 0.227897	$ 0.137960	$ 2.627520	$ 2.620620
2010	0.419540	0.161223	0.580763	1.486300	1.405000	0.264000	0.278970	0.137670	2.747703	2.666403
2011	0.409617	0.171146	0.580763	1.530600	1.425000	0.264000	0.227897	0.137640	2.740900	2.635300
2012	0.412374	0.176627	0.589001	1.540000	1.435000	0.264000	0.227897	0.148970	2.769868	2.664868
2013	0.412107	0.179109	0.591216	1.540000	1.435000	0.264000	0.227897	0.148970	2.772083	2.667083
2014	0.410519	0.180697	0.591216	1.540000	1.435000	0.264000	0.227897	0.149500	2.772613	2.667613
2015	0.412887	0.178329	0.591216	1.540000	1.435000	0.264000	0.227897	0.149500	2.772613	2.667613
2016	0.440171	0.178547	0.618718	1.540000	1.453900	0.264000	0.227897	0.149500	2.800115	2.714015
2017	0.423017	0.195394	0.618411	1.520000	1.453900	0.254000	0.227897	0.144730	2.765038	2.698938
2018	0.419650	0.182138	0.601788	1.520000	1.453900	0.244000	0.224429	0.140060	2.730277	2.664177

Source: Tarrant County Appraisal District - Tax Rates

Note: Rates for debt service are set based on each year's requirements.
[a] Overlapping rates are those of local and county governments that apply to property owners within the City of Watauga.

City of Watauga
Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)

	2018				2009		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value** a)	**Taxpayer**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value** b)
Inland Western Watauga Lp	$ 33,500,000	1	3.02%	Inland Western Watauga Lp	$ 27,608,400	1	2.69%
Watauga Towne Crossing LLC	26,435,350	2	2.38%	Watauga 377 LLC	21,230,300	2	2.07%
Brookwillow Watauga LLC	13,850,000	3	1.25%	Sci Watauga Town Ctr Fund Etal	11,499,906	3	1.12%
Park Vista Townhomes Etal	11,917,597	4	1.07%	Dayton Hudson Corp.	11,144,250	4	1.09%
Dayton Hudson Corp.	9,633,051	5	0.87%	Park Vista Townhomes	9,577,435	5	0.93%
Oncor Electric Delivery Co LLC	8,039,492	7	0.72%	Southwestern Bell	9,276,700	6	0.90%
Watauga All Storage LTD	5,951,616	6	0.54%	Oncor Electric Delivery Co LLC	7,429,605	7	0.72%
Target Stores	5,828,646	8	0.53%	Watauga All Storage Ltd.	4,670,543	8	0.45%
Woodcrest Marketplace LP	4,900,000	9	0.44%	Target Stores	4,141,981	9	0.40%
Southwestern Bell	4,761,130	10	0.43%	Watauga Assoc	4,007,721	10	0.39%
Total	$ 124,816,882		11.25%		$ 110,586,841		10.76%

Source: Tarrant Central Appraisal District
TAD.org ->reports->year->top taxpayers

NOTE:
a) Total taxable value including real and personal property for tax year 2017 (FY 2017-18) is $1,109,835,153
b) Total taxable value including real and personal property for tax year 2009 (FY 2008-2009) is $1,026,876,827

CITY OF WATAUGA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2009	$ 6,022,386	$ (17,925)	$ 6,004,461	$ 5,951,703	99.12%	$ 39,074	$ 5,990,777	99.77%
2010	5,974,330	(2,486)	5,971,844	5,914,614	99.04%	41,577	5,956,191	99.74%
2011	5,644,747	(1,251)	5,643,496	5,590,780	99.07%	30,487	5,621,267	99.61%
2012	5,655,637	(3,438)	5,652,199	5,602,319	99.12%	24,630	5,626,949	99.55%
2013	5,644,682	(6,692)	5,637,990	5,596,849	99.27%	18,983	5,615,832	99.61%
2014	5,684,546	(5,751)	5,678,795	5,622,210	99.00%	37,135	5,659,345	99.66%
2015	5,950,064	(9,338)	5,940,726	5,903,688	99.38%	17,768	5,921,456	99.68%
2016	6,261,312	2,704	6,264,016	6,216,717	99.24%	23,115	6,239,832	99.61%
2017	7,023,037	(26,289)	6,996,748	6,969,596	99.61%	7,578	6,977,174	99.72%
2018	7,449,031	-	7,449,031	7,391,050	99.22%	n/a	7,391,050	99.22%

Sources: Tarrant County Tax Office and Tarrant Appraisal District

Table 9

CITY OF WATAUGA
Water Revenue
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	*No of Customers	**Gallons Billed	***Water Revenue
2009	8,196	782,558,167	$ 3,809,973
2010	8,162	759,236,412	3,633,149
2011	8,199	859,158,707	4,198,305
2012	8,169	696,350,699	4,526,971
2013	8,160	684,273,847	4,439,701
2014	8,196	672,400,560	4,342,748
2015	8,208	659,047,433	4,184,780
2016	8,255	677,806,287	4,491,891
2017	8,248	614,615,519	4,230,822
2018	8,281	558,858,910	4,564,691

*Source: Table 16 - # of Water Consumers
**Source: Monthly E-mail sent by D. Defriese, Utility Billing Supervisor
***Source: Comparative Summary of Monthly Water Billings

Table 10

CITY OF WATAUGA
Principal Water Customers
As of September 30, 2017
(Unaudited)

Customer Name	Gallons Consumed (000)	Total	Dollars Billed	Total
Park Vista Townhomes	16,552	2.42%	$ 68,141	1.49%
4Way Investments, Inc.	6,424	0.94%	10,613	0.23%
Daybreak Venture	3,585	0.52%	34,478	0.76%
Denton Hwy. Laudromat	1,770	0.26%	22,048	0.48%
BISD 045-01	1,728	0.25%	12,225	0.27%
Keller ISD	1,715	0.25%	12,294	0.27%
BISD 045-02	1,646	0.24%	10,920	0.24%
Kwik Kar Wash	1,582	0.23%	12,898	0.28%
Watauga 377, LLC	1,541	0.23%	10,786	0.24%
Modern Wash	1,508	0.22%	10,866	0.24%
Top Ten Total	38,051	5.56%	$ 205,269	4.50%
City Total	683,225		$ 4,564,691	

CITY OF WATAUGA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

	Governmental Activities					Business-Type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Sales Tax Revenue Bonds	Unamortized Bond Premium	Other Obligations	Water and Sewer Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	Total Primary Government	Percentage of Personal Income [b]	Per Capita [b]
2009	$ 4,365,000	$ 7,260,000	$ 1,340,000	$ -	$ 857,731	$ -	$ 7,790,000	$ 450,000	$ -	$ 22,062,731	3.71%	904
2010	3,965,000	7,090,000	1,165,000	-	813,476	-	6,815,000	230,000	111,599	20,078,476	3.39%	823
2011	3,560,000	10,440,000	985,000	79,988	767,230	-	5,800,000	2,780,000	141,809	24,412,218	4.60%	1,081
2012	3,190,000	9,895,000	800,000	74,400	718,903	-	4,740,000	10,380,000	519,658	29,798,303	5.63%	1,323
2013	4,950,000	6,940,000	610,000	68,826	668,400	-	3,630,000	9,950,000	477,594	26,817,226	4.93%	1,151
2014	4,430,000	9,620,000	415,000	156,516	615,629	-	2,480,000	9,505,000	435,530	27,222,145	5.08%	1,193
2015	3,745,000	8,925,000	-	146,123	560,479	-	1,275,000	9,050,000	393,467	23,701,602	4.26%	994
2016	3,045,000	14,120,000	-	329,067	502,847	-	-	8,595,000	351,403	26,591,914	4.48%	1,057
2017	2,335,000	13,195,000	-	308,685	442,622	-	-	15,415,000	583,305	31,696,307	5.36%	1,298
2018	1,605,000	19,040,000	-	593,220	379,687	-	-	14,655,000	546,745	36,272,907	5.83%	1,435

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[b] See Table 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Table 12

CITY OF WATAUGA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

	Governmental Activities			Business-Type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	Total Primary Government	Less: Amount[a] Restricted for Debt Service	Percentage of Actual Taxable Value[b] of Property	Per Capita[c]
2009	$ 4,365,000	$ 7,260,000	$ -	$ 7,790,000	$ 450,000	$ -	$ 19,865,000	$ 612,710	1.87%	816
2010	3,965,000	7,090,000	-	6,815,000	230,000	111,599	18,211,599	525,921	1.75%	751
2011	3,560,000	10,440,000	79,988	5,800,000	2,780,000	141,809	22,801,797	752,606	2.27%	970
2012	3,190,000	9,895,000	74,400	4,740,000	10,380,000	519,658	28,799,058	498,129	2.94%	1,226
2013	4,950,000	6,940,000	68,826	3,630,000	9,950,000	477,594	26,016,420	550,626	2.65%	1,115
2014	4,430,000	9,620,000	156,516	2,480,000	9,505,000	435,530	26,627,046	621,617	2.72%	1,133
2015	3,745,000	8,925,000	146,123	1,275,000	9,050,000	393,467	23,534,590	313,460	2.28%	1,009
2016	3,045,000	14,120,000	329,067	-	8,595,000	351,403	26,440,470	371,859	2.66%	1,120
2017	2,335,000	13,195,000	308,685	-	15,415,000	583,305	31,836,990	395,192	2.60%	1,314
2018	1,605,000	19,040,000	593,220	-	14,655,000	546,745	36,439,965	669,939	2.71%	1,481

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a] This is the amount restricted for debt service principal payments for the total primary government.

[b] See Table 5 for property value data.

[c] Population data can be found in Table 15

Table 13

CITY OF WATAUGA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2018
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Keller Independent School District	$ 680,508,707	2.84%	$ 19,326,447
Birdville Independent School District	253,562,467	7.81%	19,803,229
Tarrant County	294,500,000	0.75%	2,208,750
Tarrant County Hospital County	19,300,000	0.75%	144,750
Subtotal, overlapping debt			41,483,176
City direct debt			21,617,907
Total direct and overlapping debt			$ 63,101,083

Sources: Debt outstanding data provided by each governmental unit.
[a] For percentage of debt applicable to City, data prepared by the Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Table 14

CITY OF WATAUGA
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

	Water and Sewer Revenue Bonds						PDC Sales Tax Revenue Bonds[c]					
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Total Revenues[a]	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009 d	$ -	$ -	$ -	$ -	$ -	-	$ 1,265,352	$ 627,100	$ 638,252	$ 175,000	$ 44,946	2.90
2010	-	-	-	-	-	-	1,314,130	632,039	682,091	175,000	40,461	3.17
2011	-	-	-	-	-	-	1,409,944	763,885	646,059	180,000	35,355	3.00
2012	-	-	-	-	-	-	1,418,979	756,666	662,313	185,000	29,880	3.08
2013 e	-	-	-	-	-	-	708,356	702,898	5,458	190,000	24,136	0.03
2014	-	-	-	-	-	-	748,342	697,423	50,919	195,000	17,950	0.24
2015 f	-	-	-	-	-	-	789,696	596,121	193,575	415,000	4,052	0.46
2016	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Source: Comprehensive Annual Reports and Official Statement

[a] Includes operating and non-operating revenues

[b] Excludes depreciation, amortization, interest expense and expenditures identified as capital

[c] Bonds are solely supported by a 1/2 cent sales tax approved at an election held in May, 1994 for the purpose of the City Parks and Recreation.

[d] In April, 2008, the City issued $2,430,000 in GO Refunding Bonds to refund $2,400,000 of outstanding Series 1996 Waterworks and Sewer System Revenue Bonds.

e In May, 2012, voters approved a reallocation of 1/4 cent sales tax to the Street Maintenance Fund for a period of 4 years, effective October 1, 2012. The fund balance in the PDC operating fund is sufficient to pay off the remainder of the bond.

[f] Final Debt Service payment made in FY2015

Table 15

CITY OF WATAUGA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income(3)	Median Age(4)	School Enrollment(5)	Unemployment Rate(6)
2009	24,350	$ 594,310	$ 24,407	32.0	4,428	4.9%
2010	24,250	591,870	24,407	32.0	3,735	8.1%
2011	23,497	530,868	22,593	32.5*	4,864	8.5%
2012	23,497	529,387	22,530	32.9	4,852	7.9%
2013	23,331	543,776	23,307	34.5	4,933	7.0%
2014	23,510	536,240	22,809	33.5	4,755	5.8%
2015	23,331	556,351	23,846	33.7	4,529	5.0%
2016	23,600	593,469	25,147	34.7	3,851	4.1%
2017	24,228	591,592	24,417	34.9	5,380	4.1%
2018	24,602	621,939	25,280	34.2	5,650	3.3%

Sources: (1)Year 2010 Population is official U.S. Census Bureau count. Other population estimates from U.S. Census Bureau and NCTCOG annual population estimates. (2) Per Capita income obtained from Sourcebook of Zip code Demographics and Easy Analytic Software Inc (EASI) and Applied Geographic Solutions (AGS) for years 2002-2010. 2011-2016 Per Capital Income from U.S. Census Bureau American Fact Finder. (3) Per Capita personal income calculated by dividing PIT(2) by Pop(1). (4) Median Age from 2010 Census, U.S. Census Bureau American Fact Finder. (5) School Enrollment provided by Birdville and Keller Independent School Districts (6) Unemployment Rates from Texas Workforce Commission - 2016 based on www.bestplaces.net

Table 16

CITY OF WATAUGA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2018			2009		
Employer	Employees (1)	Rank	Percentage of Total City Employment(2)	Employees (1)	Rank	Percentage of Total City Employment (3)
Super Target	266	1	4.23%	280	1	4.93%
Birdville ISD	233	2	3.70%	200	2	3.52%
City of Watauga	168	3	2.67%	190	4	3.35%
North Pointe Healh & Rehab	100	4	1.59%	122	6	2.15%
Albertsons	97	5	1.54%	190	3	3.35%
Fresco's	75	6	1.19%	80	9	1.41%
Keller ISD	75	7	1.19%	90	7	1.59%
Chili's Grill & Bar	-	0	0.00%	80	8	1.41%
Harvest Christian School	67	8	1.06%	210	5	3.70%
Service Response Team	59	9	0.94%	-	0	0.00%
Cotton Patch Café	52	10	0.83%	50	10	0.88%
Total	1,192		18.94%	1,492		26.29%

Source:

(1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification annually

(2) For 2018, used 2017 NCTCOG estimates of 6,295 obtained from the Bureau of Economic Analysis and U.S. Census Bureau, analyzed by NCTCOG.

(3) For 2009, City Employment is estimated at 5,676 obtained from Sites on Texas, Demographic data for 2007 by Experien /Applied Geographic Solutions

Table 17

CITY OF WATAUGA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
Last Ten Fiscal Years
(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government and Administration	30.00	30.00	30.50	31.50	30.25	31.25	31.65	31.65	32.90	31.90
Public Safety										
Police Division	58.75	58.75	59.25	59.25	51.75	49.75	49.85	49.85	48.85	47.60
Fire/EMS Division	22.00	22.00	22.00	22.00	21.25	21.00	21.00	21.00	21.00	21.00
Culture and Recreational	10.50	10.50	10.50	10.50	10.25	9.25	8.50	8.50	8.50	8.50
Library	13.25	13.25	13.25	13.25	13.00	13.00	12.00	12.00	12.50	12.25
Water/Sewer/Drainage	33.75	33.75	34.25	34.25	36.00	36.00	33.25	33.25	33.25	32.25
Fleet Services	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Building	8.00	8.00	8.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00
Parks Development	11.50	11.50	11.50	11.50	12.00	12.00	8.75	8.75	8.75	6.75
Total	191.75	191.75	193.25	194.25	185.50	182.25	175.00	175.00	175.75	170.25

Source: City Budget Office.

* Decreased positions due to a shift to contract labor in the Parks Department in fiscal year 2015.

CITY OF WATAUGA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Calls for Service	13,532	16,804	13,560	10,976	9,993	8,127	6,565	8,279	10,464	9,247
Municipal Citations Issued	8,792	11,963	17,122	17,074	13,576	8,650	7,961	8,781	3,999	3,449
Fire/EMS										
EMS Calls	966	1,082	836	1,043	1,011	675	1,133	1,395	1,387	1,369
EMS Average Response Time (min)	3.31	3.50	3.50	3.40	3.50	3.20	3.60	3.47	3.50	3.50
Ambulance Transports	743	870	698	848	845	846	946	1,039	1,063	942
Fire Calls	652	690	557	392	693	675	815	759	730	863
Fire Average Response Time (min)	3.58	2.58	4.70	4.80	4.60	4.80	4.13	4.07	3.50	4.30
Fire Inspections	198	269	106	136	181	460	329	336	544	691
Public Works										
Lane Miles Maintained	84	88	88	88	88	88	88	88	88	88
Miles of Curb and gutter maintained	168	168	168	176	176	176	176	176	176	176
Parks and recreation										
Park Acres Maintained	116	119	119	119	119	119	119	119	119	119
Athletic Fields Maintained	13	8	10	10	10	10	10	10	10	10
Community Center Memberships	1,267	1,372	1,237	1,320	1,272	1,271	1,063	1,004	988	1,079
Program/Class/League Attendance	56,430	40,938	65,282	91,244	41,775	71,542	46,720	65,005	72,000	70,000
Library										
Number of Programs Offered	655	693	842	853	1,086	1,155	1,144	1,244	1,326	1,844
Number of School Visits	18	8	13	36	57	63	64	61	49	65
Number of Books in Collection	62,150	65,517	67,614	65,289	73,592	78,990	80,361	79,751	79,283	80,216
Number of Media in Collection	15,247	16,389	17,199	16,700	18,806	20,806	20,719	22,530	23,148	24,499
Electronic Format Materials	85	53	53	54	52	55	52	52	50	49
Ebooks & Audiobooks	-	-	-	11,674	13,524	12,632	20,253	23,765	21,733	22,793
Water and Sewer										
Number of Water Consumers	8,181	8,162	8,199	8,169	8,200	8,196	8,508	8,238	8,248	8,281
Average daily consumption (mil gal)	2	2	2	2	2.3	2.1	2.2	2.2	2.0	2.5
Amt of sewer line inspected (Linear Ft)	10,000	3,500	3,800	6,000	8,000	21,500	9,665	8,000	8,900	19,100

Sources: Various city departments.
Note: Indicators are not available for the general government function.

Table 19

CITY OF WATAUGA
CAPITAL ASSETS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	12	11	12	12	12	12	12	12	12
Animal Control Facility	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	85.0	85.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0
Streetlights	703	703	703	703	703	703	703	703	703	703
Traffic signals	11	11	11	11	12	12	20	20	20	20
Parks and recreation										
Acreage (Developed & Undeveloped)[a]	124	124	124	124	124	124	124	124	124	124
Parks	10	10	10	10	10	10	10	10	10	10
Athletic Fields	8	8	10	10	10	10	10	10	10	10
Senior Centers	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	85.0	85.0	85.0	85.0	85.0	88.0	88.0	88.0	88.0	88.0
Fire hydrants	620	620	620	620	620	650	649	649	649	649
Storage capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Shared Ground Storage (owned by NRH)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Wastewater										
Storm sewers (miles)	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Sanitary sewers (miles)	85	85	85	85	85	85	85	85	85	85

Sources: Various city departments.